



**JULIE  
RAGATZ**

is director of the center for ethics in financial services at The American College, where she holds the Charles Lamont Post chair of ethics and the professions.

Ragatz joined The American College in 2006 as a doctoral fellow. In 2008, she received her masters of arts degree in social and political philosophy from Marquette University, Milwaukee, WI. She is currently finishing her PhD in philosophy at Temple University in Philadelphia, PA, where she specializes in ethical theory and focuses specifically on ethical issues in the financial services industry.

Ragatz has published numerous articles and book chapters on ethical theory and business ethics. Working together with another faculty member she completed "Ethics for the Financial Services Professional," published by The American College Press in 2010, and co-authored "Accounting Ethics," published by Wiley/Blackwell Press in 2011.

Ragatz can be reached at The American College, MDRT Foundation Hall, Fourth Floor, 270 South Bryn Mawr Avenue, Bryn Mawr, PA 19010. For more information about ethics and financial services education visit [www.theamericancollege.edu](http://www.theamericancollege.edu).

# In Search Of A Standard

One of the most rewarding parts of my role as director of the Center for Ethics in Financial Services at The American College is the opportunity to help financial advisors work through the ethical dilemmas faced in the course of performing their professional duties.

**While people often intuitively recognize the ethical principles that guide their actions, it is often helpful to clarify the ethical standards they use to make decisions.**

In order to make good decisions, we need to adopt a moral standard that allows us to weigh the relative merits of each option. Different philosophical systems offer different ethical standards.

While these are interesting debates, it is important to focus on ethical standards that apply specifically to financial services professionals. In addition to industry ethical standards, certain professionals, including financial services professionals, are subject to additional obligations.

## The Professional's Moral Standard

In 1984, The American College adopted a code of ethics which serves as the ethical standard for the behavior of its designees.

*The Professional Pledge: In all of my professional relationships, I pledge myself to the following rule of ethical conduct; I shall, in light of all conditions surrounding those I serve, which I shall make every conscientious effort to ascertain and understand, render that service which, in the same circumstances, I would apply to myself.*

The ethical standard which governs the behavior of The American College designees requires our graduates to treat their clients as they would like to be treated in similar circumstances. This is an example of

the Golden Rule, which demands that we *do unto others as you would have done unto you.*

You often hear people say, "Well, how would you like to be treated in this situation?" This question clarifies one's ethical obligations. That is, unless a relevant difference can be identified between the financial professional and the client. If that is the case, then professionals are required to treat clients in the fashion that clients prefer to be treated.

*The usefulness of this question cannot be overstated.* We usually see that which is in our own best interests much clearer than our obligations to address the interests of others because our perceptions of others can become muddled by prejudice or bias.

**If we analyze how we would really like to be treated, it is possible to come up with the following principles.**

**Integrity.** Most of us would want a financial services professional to act with integrity. The word's meaning is derived from a mathematical concept—the word *integer*, which refers to whole numbers. Mathematically speaking, integrity is the quality or state of being complete or undivided.

Similarly, professional integrity demands that professionals act according to the same principles in both one's personal and business life. Integrity means wholeness, the kind of wholeness referred to when people are praised for having themselves together.

**Objectivity.** To be objective means dealing with facts in a way that is not distorted by personal feelings, prejudices or interests. Most clients prefer financial services professionals who act objectively.

The ideal of objectivity is grounded in a professional's obligation to subordinate his own interests to the needs and interests of

the client. This is particularly important since professionals function as advice givers and are trusted to give sound counsel. Threats to objectivity can arise from conflicts of interest, which can distort an advisor's recommendations.

**Competence.** Competence refers to the level of expert knowledge a professional maintains and builds upon through continued education and experience. The principle of competence also includes the manner in which professionals handle situations in which they lack the requisite knowledge to provide acceptable service to their clients.

The competent professional is obliged to admit what he does not know. In short, a competent professional should act only within his area of expertise and defer to outside experts when situations call for consultation.

**Diligence.** The principal of diligence

requires professionals to provide services with due care. Due care requires undertaking one's duties in a painstaking manner that requires both a close attention to detail and persistent focus and effort over the course of time.

Given the complexity and diversity involved in the activity of financial planning, it is difficult to enumerate specific behaviors that are either diligent or negligent. However, it is obvious that diligence demands that the financial services professional act with care and attention at each stage of the planning process.

**Confidentiality.** Clients not only provide information about the state of their finances and financial goals but often they also reveal sensitive information regarding their family dynamics. Moreover, it is often necessary for them to share private information so that a financial services pro-

vider can offer useful guidance and work with them to achieve their financial goals. Confidentiality of client information is an essential requirement based on a promise made to the client not to divulge personal information.

It is important that the only reason this information is revealed to the advisor in the first place is to aid the agent in helping the principle achieve his financial goals and objectives. Using this information to achieve other purposes violates the conditions under which the information was revealed in the first place and is a manipulation of the client's trust.

Adhering to these five moral standards/principles will help advisors make better decisions. Further, by putting our clients' needs before our own, we enhance the reputation of our individual practices, our companies and our industry. 🌐