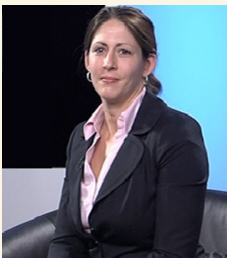




# Ethical Perspectives

## Leaving the Game, by Julie Ragatz



**Julie Ragatz**  
Director,  
Center for Ethics

During Week 12 of the 2011 NFL season, Stevie Johnson, a receiver for the Buffalo Bills, scored a touchdown against the New York Jets. In an end zone celebration dance, Johnson mocked Jets receiver Plaxico Burress's 2009 conviction on a series of gun charges. Johnson's antics referred to a story that made national headlines for its absurdity, in which Burress shot himself in the leg outside of a New York City nightclub when his unholstered weapon discharged in the pocket of his pants. Burress served two years in prison as the result of those charges.

That same week, during a Thanksgiving Day game against the Green Bay Packers, Ndamukong Suh, the star defensive tackle for the Detroit Lions, tussled with a Packers offensive lineman. After the play was called dead, Suh pushed the head of the downed lineman into the turf no less than three times and then kicked him in the arm for good measure. In a press conference following the game, Suh stated that he was merely using the lineman's head as leverage from which to raise his roughly 300 pound frame from the ground and then he tripped. Ouch.

Even in a sport known for

the poor behavior of its players, the actions of Johnson and Suh stand out. These examples are intriguing, since football (and other sports) are often used to illustrate aspects of the financial services industry. In professional sports, wins and losses can be tallied in quantitative terms that allow for simple comparisons and rankings. Success is clear and unambiguous. Results are what matter, and when you stop performing - whether on account of an injury or declining skills - your time is up.

When I talk to leaders in the financial services

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## A Moment With Our Faculty - Phil Cubeta



**Phil Cubeta,**  
Assistant Professor  
of Philanthropy

Phil Cubeta is the Assistant Professor of Philanthropy and holds the Sallie B. and William B. Wallace Chair in Philanthropy at The American College. Originally trained in philosophy, psychology and literature, Mr. Cubeta then served for twenty-seven years in various training and management positions within the financial services industry. He

always wanted to bring together the planning side of advising with the kind of reflective goal setting he was trained to do in the humanities, and philanthropic planning bridges these two worlds perfectly. According to Mr. Cubeta, "We work with clients on their aspirations for self, family and society. Then we put together a plan that lets

them achieve their highest aspirations without shortchanging their other planning goals."

Mr. Cubeta believes that philanthropic advisory work is an emerging profession. Advisors come to the work from many adjacent fields, each of which has its own professional standards. Among those

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## A Moment With Our Faculty (continued from page 1)

professions are law, accounting, insurance, investments, financial planning, family counseling, fundraising, gift planning and grant making. Perhaps the most important standard is the Model Standards of Practice, which is promulgated by The Partnership for Philanthropic Planning. These standards, applicable to all professions advising on gift planning, include:

- The Primacy of Philanthropic Intent; in other words the gift should be motivated primarily not by financial benefits or tax benefits but by a desire to benefit others.
- Explanation of Tax Benefit, either by the planner or another professional.
- Full Disclosure, including disclosure of whom the planner represents.
- Compensation, how the planner is paid, on what basis (salary, fee, commission).
- Competence and Professionalism; in other words, the planner should maintain standards of knowledge and integrity.
- Consultation with Independent Advisors; in other words the donor should be urged to get independent tax and legal advice.
- Consultation with Charities; in other words, the advisor should confer with charities who will ultimately get the gift.
- Description and Repre-

sentation of the Gift; the donor should understand the implications of the gift for the donor, family and charity.

- Full Compliance; planners should, of course, comply with the letter and spirit of all relevant laws and regulations.
- Public Trust; as a profession, gift planning is aligned with public trust; planners must maintain high standards of professionalism and avoid conflicts of interest.

Often, Mr. Cubeta observes, ethics in business means training in “Thou shalt not”. He reminds us that the Ten Commandments also contain some ‘shalts’. As Mr. Cubeta explains, almost every ethical or religious tradition calls upon us to not only avoid evil, but to also create good. In the Chartered Advisor in Philanthropy (CAP®) program, one assignment covers the professional codes and dealing with ethical dilemmas and sore points. Every assignment in CAP® is oriented to an ideal – serving donors and clients who wish to create good in the world.

Mr. Cubeta was raised in a tradition where three main virtues were taught: “Faith, hope and charity, and the greatest of these is charity.” We must love each other as God loves us, and as we expect grace, so we must give graciously. This is one tradition - the Christian faith. In the Jewish faith, charity is said to “heal the world.” A Jewish person is called to tzedakah, meaning both char-

ity and justice. Similarly, Buddhism speaks of the “heart of compassion.” In the Greek and Roman traditions, philanthropy was the hallmark of a great citizen.

In America, Mr. Cubeta believes we have always had two core virtues that we have taught our children – self-reliance and mutual aid. First, you take care of yourself and blood kin, then you aid others as you hope they will aid you in your own hour of need. If a farmer’s barn burned down on the prairie, the neighbors came for a barn raising. The men built the barn and the women may have joined in a quilting or husking bee. So yes, giving is a virtue. It is also a craft. Likewise, philanthropy can be done well or badly. We have a responsibility to work with our clients and donors to help them make wise financial and giving decisions, so that their precious giving dollars actually do bring results, or “heal the world” in specific ways.

The Center for Ethics is grateful for Mr. Cubeta’s contribution to this edition of the Newsletter as well as his support of the mission of the Center for Ethics in Financial Services at The American College.

Special thanks go to Leah Selekman for coordinating the interview with Mr. Cubeta and for assisting with the content used for this article.



**“...the gift should be motivated primarily not by financial benefits or tax benefits, but by a desire to benefit others.”**

## Leaving the Game (continued from page 1)

industry, one of the ethical dilemmas that frequently emerges is how to punish high-performing producers who have behaved badly. In the media blitz that followed the Suh and Johnson incidents, few commentators suggested that these players be let go from their teams. To the few who did make this suggestion, two objections were posed. The first was that kicking a player off the team would only lead to another, less scrupulous team quickly snapping him up. The second issue raised was how to draw a line between something like Johnson's touchdown dance and the series of perhaps equally offensive actions by other players.

The failure of either team to institute its own punishment reflects a collective unwillingness to challenge the status quo, believing that any team who became a 'first mover' would be punished in the competitive marketplace.

This seems to be similar to the sorts of challenges faced by leaders in our industry. Refusing to punish unethical - but high performing - producers dangerously undermines a

leader's attempt to build and sustain an ethical culture. Keeping these people on board tells everyone in the organization that, "We may talk about values and insist that they are important, but what really matters is your production. If you are a top producer, then these values don't apply to you." And that is a powerful message. What is so devastating about this message is not that the violator is rewarded for acting badly, but that the "real" incentive system is exposed. By failing to punish, your position as to what metrics of success really matter to you is absolutely clear to all of those 'undecideds'.

But shouldn't people be given a chance to change? When considering this option, we should try to discover why people act badly in the first place. If it is the result of ignorance, a program of education could be provided. If it is a lack of self-control and personal ethics, perhaps a certain probationary period and some counseling are appropriate. But, at some point, time needs to 'run out' for these players and they should be asked to leave the game.

I think that every leader needs to be prepared to ask herself whether or not she is ready to take that final step. In this article, I have focused on the similarities between the financial services industry and professional sports, but there is a crucial distinction, and it is one that makes all the difference. The NFL sells entertainment, but the financial services industry provides crucial services. Clients depend on the unfailing integrity of financial services professionals to protect the financial security of their families. There should be no room for poor or unethical behavior, because the practice of financial services is not a game and the stakes are very high. The needs of the population being served demand that success is defined not in terms of wins and losses, but rather in the expansion of protection against financial risk and the promotion of financial security to as many people as possible. It is this true 'end goal' that makes the financial services industry the invaluable profession it is today.

**“There should be no room for poor or unethical behavior, because the practice of financial services is not a game and the stakes are very high.”**

## Center for Ethics - Calendar of Events

- |                 |              |   |
|-----------------|--------------|---|
| <b>February</b> | <b>16</b>    | Julie Ragatz speaks at NAIFA event in Milford, DE                                   |
|                 | <b>29</b>    | Course CE 110 offered, from 1-2 EST   |
| <b>March</b>    | <b>All</b>   | Ethics Awareness Month - stay tuned for special activities and new announcements    |
|                 | <b>29</b>    | Julie Ragatz speaks at the LIMRA/LOMA Regulatory Compliance Exchange in Orlando, FL |
| <b>April</b>    | <b>12–13</b> | Corporate Members Only Retreat, Radnor, PA  |
|                 | <b>18–19</b> | Industry Fellow Members Only Retreat, Radnor, PA                                    |
|                 | <b>19–20</b> | Spring Advisory Board Meeting, Radnor, PA   |

## A Word From Our Chairman, by Jim Mitchell, CLU®, ChFC®

### What Can We Learn from the Penn State Debacle?



**Jim Mitchell, CLU®,  
ChFC®**  
Chairman, Advisory  
Board

**“Many people think that if they comply with the law and with the written codes of conduct of their organization, that is sufficient.”**

Much has been written about the tragedy that continues to unfold at Penn State. People with reputations earned over many years are seeing those reputations tarnished, and young men are being asked to come forward to tell their tormented stories. The narrative will drag on slowly and painfully for a long time. Today, I am struck by two core ethical dimensions of the situation.

The first dimension that I find noteworthy about this situation is that, in this case, almost everyone understands intuitively that there is a difference between compliance and ethics. Normally that is a distinction that is not well understood. Many people think that if they comply with the law and with the written codes of conduct of their organization, that is sufficient. They have met their obligations. Coach Joe Paterno apparently complied with the internal processes of Penn State, and no one is asserting that he has broken the law. But just about everyone—

including himself—sees that his behavior fell short of acceptable standards. He did not do enough to ensure that young men’s lives were protected. He did not behave ethically. Ethics is a higher standard.

The second dimension that I feel is worthy of comment is the difference between loyalty and ethics. Loyalty is usually a good thing. We praise people who are loyal to their families, to their comrades in combat, to their teammates, or to their communities. And rightly so. But sometimes we need to have a higher standard. At least some of the people who should have come forward to shine a spotlight on the situation at Penn State did not do so because of their loyalty to Coach Paterno, to the football program, to the University or to all-of-the-above. But again, we expect more. We expect people to do whatever it takes to protect innocent young men. Some of the people who could have done so thought their duty was else-

where. Their loyalty was misplaced. Ethical behavior requires more than blind loyalty.

Perhaps we can learn from the tragedy at Penn State that ethical behavior requires more than compliance and more than loyalty. It requires doing the right thing.

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To those of you who have been supporting the Center for Ethics in Financial Services at The American College, we are grateful to you. To the rest of you, we hope you will consider membership. We believe the benefits far outweigh the modest costs involved.

If you would like more information on membership, please contact Julie Ragatz or me. Visit us at [www.theamericancollege.edu/ethics](http://www.theamericancollege.edu/ethics) or contact us at 610-526-1356.

### Maguire Fellowship Update

This past quarter has been an active one for Tony Catanach, the Maguire Fellow at the Center for Ethics. He has given several business interviews dealing with Groupon’s public offering and a variety of other financial reporting transparency issues. Several different interviews with the Economist, Bloomberg and CNN Money Tech are listed below:

1. Interviewed by Matthew Valencia of the Economist regarding bank deferred tax assets and tax law changes.

<http://www.economist.com/node/21541431>.

2. Interviewed by David Glovin of Bloomberg regarding Axes of America and Olympus scandal.

<http://mobile.bloomberg.com>

</news/2011-11-22/olympus-adviser-axes-closed-brokerage-soon-after-sec-finra-examinations?category=%2F,> November 21, 2011.

3. Interviewed by Julianne Pepitone at CNN Money Tech regarding Groupon’s IPO. See Groupon IPO: Not the best daily deal?

**Continued on page 6**



**Anthony H. Catanach, Jr.,  
Ph.D**  
Cary M. Maguire Fellow

## The Pledge Project

### Leading by Example: An Interview with Jim Meehan, MSM, by Elizabeth Rohr, CLU®, ChFC®

Last month, I had the pleasure of interviewing Jim Meehan, a Member of the Center for Ethics Advisory Board, to discuss his thoughts on The American College's Professional Pledge (the Pledge) and the Eight Canons (the Canons) of Ethics. Jim is currently the Managing Partner of 1847Financial, an agency of Penn Mutual, which is located in Conshohocken, PA, a suburb of Philadelphia. Prior to this, he was the President and Co-Managing Partner of Creative Financial Group (CFG) in Newtown Square, PA, where he worked for twenty-one years after graduating from the Naval Academy and spending five years on active duty. Although transitioning away from CFG was a significant change in his life, Jim is excited about the future at 1847Financial, which is growing rapidly and strives to maintain a friendly and professional relationship with its competitors.

Jim received his Masters of Science in Management (MSM) degree from The American College in 2008. When asked why he chose The College to pursue this particular degree, he indicated that he had previously taken a number of ChFC courses and, as a result, was already familiar with The College and its programs. In addition, he feels that the reputation of The College is 'just outstanding', especially in the financial services field. Additionally, because Jim's job is primarily

management – actually running the business – he recognized that he had never really had any formal training in how to do that. As CFG grew, Jim realized that he owed it to both himself and everyone else in the company to have better skill sets in certain areas of running a business. Consequently, he decided to go back to school and The American College's MSM program was the clear choice.

When asked what it means to be a graduate of The College, Jim replied, "You take great pride saying to both advisors and the public that you're committed to the financial services businesses. And, as a graduate of The College, that you're taking your business to a whole new level from a fiduciary standpoint. You're always going to act in the best interest of the client and your advisors." Jim also agrees that advisors who haven't had exposure to The College and a large percentage of the general public don't fully understand what that means, which is why it's so important to have a Center for Ethics at The American College which promotes the Pledge and Canons.

Over the past few years, with extensive media coverage of the multiple scandals occurring in the financial services industry, everybody involved has lost to some extent – but that doesn't mean it's a bad industry. According to Jim, "We need to be able to stand up and be able to talk about

who we are and our professionalism and our commitment to do the right thing. And so, who is the 'quote, end quote' expert? If I'm NBC or I'm CNN, and I want to talk to an expert about financial services, and ethics within the financial services, we (The American College and the Center for Ethics) should be that channel for them. Look at some of the news stations that Dr. Barton has been on lately. We should be the experts that people want to talk to about ethics within the financial services business. So we need to market that accordingly."

Jim believes that The College and the Center for Ethics need to be that point of contact for the media, the profession and the public. They need to know what we stand for, what we do, what we're building, the programs we have available and how that is being communicated. For questions regarding what the financial services industry is all about from an ethical perspective and what the right thing to do on behalf of clients is, they need to talk to us. When specifically asked if he thought his commitment to the Pledge differentiates him from colleagues and peers who have not had that exposure, Jim said, "Well, I know it does to me internally. I know it does for me and to those who understand what The American College is – what The American College stands for – but I don't feel that the

**Continued on page 7**



**Jim Meehan, MSM  
Managing Partner,  
1847Financial**

**"You take great pride saying to both advisors and the public that you're committed to the financial services business. And, as a graduate of The College, that you're taking your business to a whole new level from a fiduciary standpoint. You're always going to act in the best interest of the client and your advisors."**

## Maguire Fellow Update (continued from page 4)

<http://money.cnn.com/2011>

[/11/03/technology/groupon\\_IPO/index.htm?iid=HP\\_N](http://11/03/technology/groupon_IPO/index.htm?iid=HP_N), November 3, 2011.

Additionally, during the quarter, Tony penned and printed several other opinion pieces related to ethical financial reporting in his blog. You can access these directly at: <http://blogs.smeal.psu.edu/>

[grumpyoldaccountants](http://blogs.smeal.psu.edu/grumpyoldaccountants).

For more information on Tony, the Maguire Fellowship and Tony's thoughts on ethical financial reporting, be sure to visit the Center's website at [www.theamericancollege.edu/center-for-ethics](http://www.theamericancollege.edu/center-for-ethics) and click on the Cary M. Maguire Fellowship tab.

We are excited about the

great work that Dr. Catanach is doing and are sure you will find his research insightful!



**For more information about Tony, the Maguire Fellowship and Tony's thoughts on ethical financial reporting, be sure to visit the Center's website at [www.theamericancollege.edu/center-for-ethics](http://www.theamericancollege.edu/center-for-ethics).**

## Director's Update, by Julie Ragatz

As we begin the New Year, I would like to take this opportunity to tell you about three things we are especially looking forward to at the Center for Ethics in Financial Services. The first is the publication of the Twelfth Annual Perspectives on Ethical Leadership in the Financial Services. On January 13-14, Jim Mitchell and I were delighted to welcome a group of noted business ethicists and financial services executives to the 12th Annual James A. and Linda R. Mitchell/The American College Forum on Ethical Leadership in the Financial Services. The Forum is a day long event that brings academics and practitioners together for study and discussion. This year's case study considered the efforts of the life insurance industry to reach out to middle market consumers - a constituency recognized as both underserved and insufficiently insured. The question of the failure of the life insurance industry to serve the middle market raises ethical issues for financial services organizations and touches on important social and political

problems.

Each year the Center for Ethics in Financial Services publishes the Perspectives, a condensed version of the day's conversation, along with the case study and supplemental materials provided to the participants. In its twelve year history, the Forum has consistently tackled issues that have later emerged as important challenges for the industry, including the ethics of life settlements and the sales and marketing of equity-indexed annuities. The 2012 Perspectives of the Forum on Ethical Leadership will be available this spring. You can find copies of Perspectives from previous years on our website [www.theamericancollege.edu/ethics](http://www.theamericancollege.edu/ethics).

Secondly, in this issue, we are highlighting the work of the Maguire Fellow in Applied Ethics, Dr. Anthony H. Catanach, Jr., Ph.D. Dr. Catanach's provocative research on questions of meaningful disclosure has taken on increased relevance in light of the questions raised by several high-profile IPOs, including

Groupon. Dr. Catanach's work, which is generously funded by Cary M. Maguire and supported by The American College, is aligned with the mission of the Center for Ethics in Financial Services to bridge the gap between theory and practice and raise the level of ethical behavior in the financial services industry. You can learn more about Dr. Catanach and Cary M. Maguire on our website.

Finally, this year will see a complete revision of our three continuing education courses: CE 126 (2 hours of CFP® Ethics credit), CE 100 (3 hours of State Insurance credit) and CE 110 (revised for 2 hours of State Insurance credit). Each class will feature up to date material and new video scenarios dealing with topics that are both timely and relevant to financial services professionals. Remember that our members receive a discount of half-price on all CE classes. If you have any questions, please contact Elizabeth Rohr at 610-526-1335 or [Elizabeth.rohr@theamericancollege.edu](mailto:Elizabeth.rohr@theamericancollege.edu).

## The Pledge Project (continued from page 5)

public understands us yet. We've got to continue to get the word out – people have to recognize who we are, what we do and how we can help them.”

Looking back on his career, Jim thinks that the values embodied in the Pledge and Canons are something you live with every day. When people look at you as a leader within our business and in our industry, they recognize that we're practicing at a higher standard. Advisors in the business today are not held to a fiduciary standard – technically they're supposed to do what's in the client's best interest at all times. But at 1847Financial and in many other companies, leaders are starting to train, teach and supervise to a higher standard – namely, that you will always do what is in the client's best interest. Making sure that people just entering or reentering the industry understand the importance of reputation and integrity and always doing what's in the client's best interest has become a top priority for these organizations and the foundation upon which they build their businesses.

As a leader and manager, Jim has encountered many situations where this perspective and his professional background have enabled solutions to be reached in positive ways. Early on as a manager, one idea he and his firm had was to form an ethics committee within the agency, which he has only had to convene four times in twenty-one years. Through the committee, where everything is treated completely anonymously to settle commission disputes among advisors, confrontations have been resolved in such a way that all parties have been satisfied with the final outcome. According to Jim, people look to their leaders for that type of balance and stability – the ‘voice of reason’, so to speak. Like the ethics committee, a leader's actions can and should become a practical and sustainable model that results in confidence and mutual trust.

Regarding the future of the profession, Jim feels that we all need to do a lot more listening, we need to become better problem solvers and we need to make sure we're asking the right questions so that we fully understand the situa-

tions our clients are in. All too often, we're not listening enough, we're not showing enough compassion or solving problems and we want to tell everybody about all the great information and knowledge that we have. Jim tries to always remember the words of his friend Tom Quirk, CLU®, ChFC®, who said, “Nobody cares how much you know until they know how much you care.” Whether it's trying to help a client solve a retirement income gap or determine how much life insurance protection is needed, the advisor needs to do a lot of listening before going back with recommendations and solutions. It is only through that process that trust is established and the client knows you really care.

Believing in the Pledge and the Canons means doing the right thing, regardless of whether or not anyone else was involved or watching, and regardless of whether or not your actions were recorded or documented. It's what you stand for. And people know when you're doing it – they look at you and they just know. Isn't that the reputation each of us strives for?

**“...a leader's actions can and should become a practical and sustainable model that results in confidence and mutual trust.”**

## Update on Continuing Education Ethics Courses

Look for a summary of all of the Center's continuing education ethics courses in the 2012 edition of The American College's Catalog, due to be available in print shortly.

All of our on-demand webcasts and self-study courses are focused on ethics in financial planning and are available for continuing edu-

cation credit. Currently, we offer the following courses:

**CE 100**—Issues in the Ethics of Financial Services. This course fulfills 3 hours of CE and is subject to state eligibility. Member price: \$25.75

**CE 107**—Issues in the Ethics of Financial Services. This course fulfills 3 hours of CE and is only available in IL.

Member price: \$29.92

**CE 110**—Ethical Issues in Dealing with Elderly Clients. This course fulfills 1 hour of CE and is available in most states. Member price: \$10.25

For more information, visit: [www.theamericancollege.edu/center-for-ethics/center-for-ethics-classes](http://www.theamericancollege.edu/center-for-ethics/center-for-ethics-classes).



## Thank You To Our Corporate Members!



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