In April, the Center for Ethics held its bi-annual Corporate Members Only Retreat in St. Davids, PA. The topic was “The Challenges of Embedding Ethics Across the Organization”. As always, I was impressed with the participants’ critical thinking skills, their willingness to share their experiences and learn from their peers and their commitment to doing business in accordance with the highest ethical principles. In this month’s column, I would like to share some of their thoughts on the challenges of building and maintaining an ethical culture.

Lack of ‘Buy-In’ from Senior Leadership
The participants agreed that lack of ‘buy-in’ among senior leadership seriously undermines an attempt to integrate ethics throughout the organization. A colleague, who spent part of his career as a producer, recently shared a story that has stuck with me. The organization he worked for mandated yearly company-wide ethics training for all producers. The head of learning and development encouraged senior leadership to attend to reinforce the importance of the program. The CEO of the organization attended, but sat in the back and proceeded to sift through paperwork during the entire presentation.

It is clear what sort of message this behavior sends and it is not good. The message is that senior leadership is complying with but is not committed to encouraging ethical behavior. Perhaps this is unfair, maybe that leader was having a particularly busy or trying day. But this is where the importance of perception comes into play. What the participants recognized is that effective ‘buy-in’ from senior leadership means ‘commitment in fact’ and ‘commitment in appearance’. People carefully watch leaders to gauge how they can achieve success within the organization. Since our true intentions and beliefs are often opaque to others (especially if they are observing at a distance) it is crucial that we make an effort to align appearance and reality.

The Belief that ‘Ethics Cannot be Taught’ (And I Don’t Need the Help Anyway)
The second obstacle discussed by participants is the belief that ethical decision-making skills can neither be taught nor improved upon. According to this perspective, ‘everything I needed to learn, I learned in kindergarten’. I recently attended a meeting in which a senior leader, clearly frustrated by the amount of resources potentially dedicated to ethics training, expressed the belief that “people are either bad or good and ethics training won’t make a bit of difference.”

I don’t agree. We recognize that people can make moral progress. This progress happens through a process of moral education in which people are able to critically evaluate the correctness of their moral principles and further develop their moral sensitivity, defined as the capacity to recognize actions as violations of these moral principles. The process of moral education is never complete – we can continue to gain a greater and deeper understanding of our moral principles and how to apply them in our daily lives.
Leo waited for the guilty feelings to pass. He had been working with a career coach, Peter, for the last six months and one of his recent insights was that he often responded too quickly and without thinking. While it sounded pretty hokey at first, he had grown to appreciate that it was much easier to make decisions when his thoughts had settled from a whirlwind to more recognizable contours and shapes.

Leo pulled out the Jonas file and reviewed the events in his mind. Leo was assigned Mr. Jonas's account by his sales manager. Mr. Jonas was an orphan client. He had taken out a sizable life insurance policy years ago, but had not done any subsequent business with the enterprise. Leo wasn’t sure when his last contact with the company had taken place. His original agent, a sales dynamo, wasn’t good about following up with his clients or doing paperwork.

Marcus Jonas, the son of Mr. Jonas, called shortly after Leo had become the agent of record. Marcus wanted to process a change of beneficiary for his father’s life insurance policy. When Leo replied that the form would need to be sent to his father, Marcus indicated that his father was suffering from early stages of dementia and that he, Marcus, had the power of attorney. Leo informed Marcus that the insurance company would need documentation, which Marcus provided to the company. The insurance company recognized the power of attorney, Leo sent the change of beneficiary form to Marcus and Marcus returned the form — personally - to Leo’s office. The beneficiary of the policy was changed to Marcus and one of his siblings.

Leo combed through the spotty records and learned that the original beneficiary was a woman who appeared to be the long-term partner - not the spouse - of Mr. Jonas. It appeared that Mr. Jonas had lived with this woman for many years, although he was still legally married to the mother of his children.

Leo sighed and closed the file. He knew he had followed the appropriate procedure and done everything by the book. But, if he was honest with himself, he wondered if he should have done more. Even in his brief interactions with Marcus, he could tell that this would be a headache. The whole situation was messy and complicated—if he was honest, he simply had not wanted to deal with it.

Peter had been telling him that it was important to draw boundaries with his clients and to spend his time wisely. The goal was a balance that would enable him to best serve his clients and create mental space for his personal life. He understood the importance of that advice, but wondered if he had done the wrong thing by not doing anything at all...

For more thoughts on the case, as well as material to lead a small group discussion, please go to the ‘Ethics Newsletter’ page of our website.

Case Study of the Month: Beneficiary Blues

Director’s Update — “The Good News About Our Business”

by Julie Ragatz

Every day I receive at least one email referencing a news story on the financial services industry. Unfortunately, at least 95 percent of these stories are negative. These stories usually focus on the illegal actions of unscrupulous individuals, the fines assessed for organizational misconduct or the generally dismal public perception of our business’s ethics and trustworthiness.

Day after day of bad news.

But this is not the industry that I know: an industry that is filled with committed professionals who strive day in and day out to serve the needs of their clients.

Let me tell you the story about one of those people. My father, Stephen L. Ragatz, CLU®, ChFC® is a 40 year veteran of the financial services industry. He began hisContinued on page 6
A Moment With Our Faculty - Russ Figueira, MSM, CLF®

By Leah Seleman

Russ Figueira is Associate Dean, Executive Director of the Penn Mutual Center for Veterans Affairs and Assistant Professor of Management at The American College. He also serves as Registrar and Certification Officer at The College.

After earning a Bachelor's degree in political science from Tufts University, he served for eight years in the Navy. During this period of active duty, Russ held several different positions, mostly on destroyers based on the East and West Coast; he also spent one year on a destroyer in Europe working on an experimental project dealing with underwater sound surveillance. His last assignment was as executive officer, overseeing the daily operations of a destroyer in port and at sea.

After the Navy, Russ went on to earn five masters degrees, the first of which was a Masters in Public Administration. He later acquired a Masters in Law and Diplomacy from a joint cooperative program between Tufts and Harvard University. It was in this program that he met Dr. Larry Barton, the current President of The American College. He also acquired a Masters in Human Resource Management from Widener University and a Masters in Project Management from The Keller School of Management at DeVry University. He is currently pursuing his Doctorate in Business Administration at Wilmington University.

Russ worked for twenty years in public transportation before coming to The American College in 2005. His first role was as Associate Vice President of Alumni Relations. He also held leadership positions in the Human Resources Department, as well as the Professional Education Department, where he successfully improved the efficiency and training of its members. In 2007, Russ earned a Master of Science in Management degree from The American College.

From a very early age, Russ became aware - on some level - of the concept of ethics. His parents, who were principled individuals, taught him to consider the ramifications of every decision he made. Once in the Navy, where quick judgments and decisions were a common occurrence, Russ became acutely aware of the importance of ethics in his role. In addition, Russ developed three skills during that time that he has utilized throughout his career: leadership, attention to detail, and perseverance - a willingness to stay the course even in the face of adversity.

In his varied positions at The American College, Russ has put these skills and his ethical foundation to great use, particularly in his role as Registrar. One of the Registrar’s responsibilities is working with the Certification Committee of the Board. “While it is an exciting position, it does involve looking into every deviation in the ethics performance of any one of our students who might go astray. I conduct

Results of the Ethics Awareness Quiz

By Elizabeth Rohr, CLU®, ChFC®

In March, the Cary M. Maguire Center for Ethics in Financial Services celebrated Ethics Awareness Month, including hosting an Ethics Awareness Quiz on our website. This quiz focused on the importance of ethical values and our responses to various personal, business and financial service related situations.

While this survey is ongoing, we do have some preliminary results. To learn more, go to our website: http://www.theamericancollege.edu/center-for-ethics/ethics-awareness-month.
Our Pledge Project interview this month is with Mark Weber, Principal at the SilverStone Group in Omaha, NE and the newest member of the Advisory Board for the Cary M. Maguire Center for Ethics in Financial Services. Currently, Mark heads up the Wealth Transfer division at SilverStone, where they specialize in providing life insurance solutions to high net worth individuals in the estate planning and business succession space. In addition, in his leadership role over the past twenty years, Mark has seen the firm grow from 30 employees to almost 200 employees. I had the pleasure of speaking with Mark and asked him about his experiences with The American College and what the Pledge and Canons (the Code of Ethics) mean to him, both as a graduate and as a financial services professional.

During his senior year in law school, Mark realized that he really didn’t want to work as a lawyer, so he looked at alternative careers and eventually decided that the life insurance industry held the most interest and opportunity. He began his career as a Massachusetts Mutual agent, where he was mentored by a general agent who felt that a CLU® was essential to be considered a professional in the industry. Under his guidance, Mark was introduced to The American College and began his studies. Mark later pursued his ChFC®, and, as his interest in this specialty area began to grow, took several advanced estate planning courses from The College.

Eventually, Mark’s desire to continue his education led to the MSFS® program, which was a tremendous learning and relationship-building opportunity for him. He describes the residency as a ‘real college experience’ and one where he was able to ‘interact with other professionals who were equally serious’. One takeaway that Mark finds especially important about The College is that the faculty creates an atmosphere where the success of the student is paramount, which he finds ‘refreshing’ and ‘different from other higher education organizations’. He feels that the course quality is consistently excellent and that the exams are fair assessments of an individual’s knowledge in a given subject area. Mark has also recently begun work on his CAP® designation, as he continues to be a strong advocate for The College’s courses and programs.

Mark believes that the Pledge and Canons create a framework within which financial professionals conduct a practice. This means that the focus is consistently based on the question ‘what is in the client’s best interest?’, which makes decisions easier, particularly when facing competing interests. For example, when dealing with carrier selection issues, the influences of compensation, incentive trips and production requirements often come in to play; however, professionals who document their rationales internally – through the values espoused in the Pledge and Canons – will be more confident in their product recommendations. Because the client’s best interest is paramount, these other external factors are minimized and the product and/or carrier selection process becomes much more transparent.

At SilverStone, Mark feels fortunate to be working with staff members and producers of extremely high quality, who embrace the ethical culture that is supported by the organization. One tool that helps keep everyone on the same page is that every interaction with each client is recorded and documented, so that the facts as they understand them can be easily referenced and reviewed. This information includes the reasons particular products have been recommended, why the client selected a particular product, what the underwriting results were, the carrier characteristics that were important to the client and what type of funding the client chose, in addition to many other factors. Through this tracking, Mark’s team is able to keep everyone involved in the decision-making process ‘on board’ with everything that has occurred. In the past ten years, since introducing this tool, the company has not had to use it to later defend its actions; in fact, a law firm SilverStone works with has actually asked other clients to consider using the same
A Word From Our Chairman, by Jim Mitchell, CLU®, ChFC®

Benefiting from “Meaningful” Disclosure

Just as a physician has a lot more knowledge of medicine than his patients do, the advisors who sell financial products always have more information about these products than do consumers. So how should we deal with this “information asymmetry” at point of sale in an ethical way?

For decades the trend in point-of-sale disclosure about financial products has been to provide more and more information. To some extent, this makes sense. Consumers need to have adequate information to make informed choices about the financial products they are purchasing. But I believe we have taken this trend to a ridiculous extreme. My money market mutual fund is a very simple product, but its prospectus is 18 pages of small print. My variable universal life insurance policy is a considerably more complicated product, and its prospectus is 64 pages long. Do you know anyone who actually reads these things?

How did we get to this point? Markets go up and down but, in our increasingly litigious society, lawsuits are brought when people lose money in financial products. Some of these lawsuits are justified. Many are not. But the response to these lawsuits from company attorneys and regulators is to put more and more information in the prospectus, so that they can claim consumers received full disclosure.

But is “more” disclosure “better”? I think not. What we need to do is to step back and think about a process for ensuring that consumers get the information they actually need to make informed decisions as to whether a particular product is right for them. What if financial services companies and their distributors worked with regulators, consumer groups and ethicists to reach agreement on what information is actually needed at point of sale? They could create a prospectus that consumers could actually read and understand. What if those groups worked with legislators to create a “safe harbor” so that, when that prospectus was provided at point of sale, all could agree that “meaningful” and appropriate disclosure had been provided?

Consumers would get the financial products they want and need, and they would understand what they bought. Because they understand what they bought, persistency would improve. This is a win-win-win situation for consumers, producers and companies. Regulators and legislators could get the credit they deserve. The only losers would be the attorneys bringing the frivolous lawsuits, and that would be a win for the rest of us, too.

Maguire Fellowship Update

Tony continues to pen and print opinion pieces related to ethical financial reporting in his blog. Recent posts include his thoughts on JP Morgan, ZAGG and Rite Aid, among others.

In addition, in late May, Tony followed up on earlier blogs (see February 6) regarding Facebook’s accounting when he gave his opinion on whether or not they still deserve an ‘A’ for their accounting. According to Tony, this opinion has not changed, despite the recent Facebook IPO and subsequent reduction in stock values. He states, “Facebook’s accounting and financial reporting appears fundamentally sound.”

You can access Tony’s writings directly at: http://blogs.smeal.psu.edu/grumpyoldaccountants.

For more information on Tony and the Maguire Fellowship, be sure to visit the Center for Ethic’s website at: http://www.theamericancollege.edu/center-for-ethics/cary-m-maguire-fellowship.
Director’s Update (continued from page 2)

career at Connecticut General in 1972 as a management trainee. In his career, he has mentored and coached many practitioners. He changed lives and built careers. He does not talk much about that. But I have heard from others who have been eager to tell me about the sort of man my dad is.

Like most kids, I did not understand what my father actually did when I was growing up. Long before I appreciated his technical expertise, I understood that he was in the business of relationships. His clients were a part of our lives, a topic in our weekly phone conversations when I went away to graduate school. He celebrated their joys, the births and the marriages, and mourned their losses. And the care went both ways. I recently welcomed my first child, a little girl. I have an adorable picture of her happily drooling in a bib hand-stitched by one of his clients and holding a slightly bedraggled teddy bear ‘thumbie’ sent by another.

He worked his hardest to continually earn the trust of his clients. He took calls on family vacations. He fought battles on behalf of his clients. He dealt with mountains of paperwork. He was always diligent and thorough. He was an educator who continually tried to increase his own competence and expertise. For me, he is the model of a professional.

We celebrate Father’s Day in the month of June—and this is my ‘Thank You’ to a man who introduced me to this business and demonstrated its value when client relationships are based on mutual respect and trust. In my opinion, my father has built a career of which he can be proud.

And that is good news.

And I want to hear more of it. In the future, my Director’s Update will be devoted to “good news” about this business. Stories of people who did the right thing when no one was watching, stories of people who were personally and professionally successful by not cutting corners and by always putting the clients’ interests first. I want to create a space in which people can be rewarded and acknowledged, even in a small way, for doing the right thing. I want to share the good news of these people and their stories with everyone.

So, please send me your stories. I am eager to print them. Let’s celebrate the successes of our industry together!

Julianne.ragatz@theamericancollege.edu

The Pledge Project (continued from page 4)

type of documentation for their client interactions.

Regarding the future of the industry, Mark has seen first-hand that the distribution of life insurance has changed dramatically over the last twenty years. Today, there are fewer full-time professional life insurance agents and life insurance is being distributed by accountants, stock brokers, bankers, realtors, direct mail and on the Internet. The result, he feels, is that many of the people involved in these new channels have much less knowledge about the intricacies of the business. Products are viewed as a commodity, with the lowest initial premium being the driving force, and agents don’t understand the underlying fundamental of the products, which means they don’t communicate them to the buyers. Afterwards, when the product hasn’t performed as projected, this leads to buyer dissatisfaction. And because the product was perceived and marketed as a commodity – without an agent to provide consistent, on-going service - this leads to further buyer frustration.

For those who are currently entering (or re-entering) the financial services profession, Mark’s recommendation is that they focus on the following goals: (1) to be a true student of the business (2) to understand that for the industry to remain viable, each product sold

Continued on page 7
The Pledge Project  (continued from page 6)

must be a good deal for all three parties to the transaction (the buyer, the agent and the insurance company) and (3) when giving advice and/or placing products, to act as if you were being held to the standard of a fiduciary.

Further, Mark thinks that the best way for professionals to accomplish these goals is to (1) regularly take classes and earn designations through the American College (2) to join a professional financial services organization, where you can meet colleagues and competitors and be regularly exposed to continuing education, and (3) to understand and incorporate the Code of Ethics into their everyday practices.

With an approach like this, success is sure to follow!

Thank you, Mark, for your contributions.

DO YOU NEED A ‘REFRESHER’ ON THE PLEDGE AND CANONS?

To view The American College’s Code of Ethics, which includes The Professional Pledge and The Eight Canons, click on:

THE CODE OF ETHICS

A Moment With Our Faculty (continued from page 3)

an investigation and make recommendations to the board, even though it is the Certification Committee’s decision as to what action to take.” Russ is responsible for ensuring the integrity of the disciplinary process. “When you look at how many students have graduated - approximately 160,000 - The College has done an excellent job with its ethical construction and ethical base as it relates to our students.”

When asked about The College’s Pledge and Canons of Ethics, Russ feels both are extremely important. “I am responsible for ensuring that every graduate gets a copy of the Canons and other codes of conduct. I do not deliver the Pledge at graduation, but every student is required to stand and accept the Pledge and the Canons as appropriate to his/her designation. This is something we take very seriously. In my role as Registrar and Associate Dean, ethics plays a role on a daily basis.”

From the beginning of his career at The American College, Russ wanted to become part of the faculty. With all of his accomplishments, Russ still has ambitions as he enters the ‘autumn’ of his career. He would like to write a book on conflict resolution that is designed specifically for leaders, a topic that he believes has not received sufficient attention.

In addition, Russ is always striving to make The College better. “I see The College as the leader in financial services education going into the future. Part of that leadership is being up front and making the necessary changes and adjustments to keep our students current and to give them the education, the leadership skills, and the ethical standards that are going to be necessary in the decades ahead.”

“...every student is required to stand and accept the Pledge and the Canons as appropriate to his/her designation. This is something we take very seriously.”
Building an Ethical Culture (continued from page 1)

understanding of moral principles and a more fine-tuned awareness of how and when they should be applied.

Corporate ethics programs can and should be a part of this process. It is a certainly disheartening to think that we cease to make moral progress and improve our moral character when we leave kindergarten.

The Increasing Ubiquity of the ‘Compliance Frame’

The participants expressed concern regarding the increased compliance burden on practitioners, a trend that I refer to as ‘compliance creep’. As Max Bazerman and Ann Tensbrusel point out in their book, Blind Spots, increased reliance on compliance systems to direct behavior contributes to ethical fading, a phenomenon in which the moral features of a situation disappear from view.

When we replace ethical duties with regulatory mandates, we transform situations that were originally understood as involving duties and obligations into ones that are interpreted as involving a trade-off between costs and benefits. “Suddenly, instead of thinking about doing the right thing, employees focus on calculating the costs and benefits of compliance versus non-compliance—and about trying to outsmart the system.”¹

When bright line rules replace ethical principles, people are not obliged to think about the ethical implications of their decisions. As the participants recognized, this is problematic because it contributes to a diffusion of personal responsibility and the failure of people to be accountable for the consequences of their actions.

Every time I facilitate a retreat for industry executives, I am impressed by the extent to which academics and practitioners share similar concerns and how they often arrive at similar conclusions. This alignment increases my belief in the importance of the mission of the Cary M. Maguire Center for Ethics in Financial Services, which is to raise the level of ethical behavior in the financial services industry. One of the ways we do that is through bridging the gap between academic theory and practice.

Attendance at our Members Only retreats is only one of the valuable benefits of Corporate level or Industry Fellow level membership in the Cary M. Maguire Center for Ethics in Financial Services at The American College. For additional information on membership, please contact Elizabeth Rohr, Assistant Director of the Center for Ethics, at Elizabeth.rohr@theamericancollege.edu.

¹Bazerman and Tensbrusel, Blind Spots (2011), 113.
Thank You To Our Corporate Members!

Thank You To Our Industry Fellow Members!

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