

# Ethics II - Knowing and Doing

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Consulting with individuals and organizations on the new retirement

# Course Objectives

- To become more skillful in identifying issues and actions in a variety of situations related to the InFRE Code of Ethics
- To clarify your personal decision making process relative to the InFRE Code of Ethics
- To provide a review and understanding of the InFRE Code of Ethics



# Ethical Behavior

- How people behave when they are absolutely guaranteed no one will find out what they have done
- Knowing the difference between
  - what you have a right to do
  - what is the right thing to do
- Beyond law to a stringent level of personal responsibility
- Principles that "ought" to govern behavior



# Why Study Ethics?

- Review widely recognized principles and frameworks for making a “rational” decision when the best action is not necessarily clear.



# We Want to Do the *Right* Thing

- How do we act when the right thing isn't clear?
- Where can we look for guidance?



# Laws vs. Ethics

- **Laws:** What society accepts as minimally acceptable standards of behavior  
[Generally, illegal = unethical]
- **Ethics:** Attempts to provide an analysis of the conduct when the law does not offer guidance

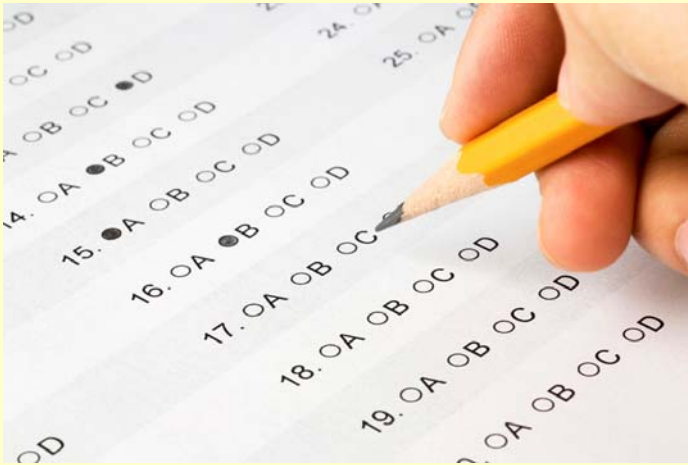


# Ethics

take us beyond "what is"  
...to "what ought to be!"



# Ethics



- **What's right?/  
What's wrong?**
- **What's fair?/  
What's just?**
- **What's good behavior?/  
What's bad behavior?**





# Ethics

- System of moral principles
- Not absolutes
- Legal compliance is minimum requirement
- Standards of a profession govern conduct



# Ethics

- Ethical behavior
  - golden rule
    - "Do unto others as you would have them do unto you."
    - "Go good, avoid evil"



- Don't put yourself in a bind
- More than one "Choice"  
*Most want to do "The Right Thing"*
- More than one "Right Way"  
*Avoid the trap of "The Wrong Way"*



# Ethical Motivation



- **Wealth maximization perspective**
  - ethical behavior equals profit
  - only consider external motivators
- **Values**
  - beliefs and preferences that guide decisions
  - core internal motivators



# Personal Moral Values

Our values are shaped by:

- Upbringing
- Religious teachings and beliefs
- Family
- Friends
- Societal culture (TV, movies, work)
- The law



# Ethical Stances to Problems

- Conventional approach
- Utilitarianism
- Principle of Rights
- Golden Rule



# Conventional Approach

- Assumes that the prevailing norm provides ethical justification for the conduct in question
- Can lead to double standards
- "Everyone does it" mentality



# Utilitarianism

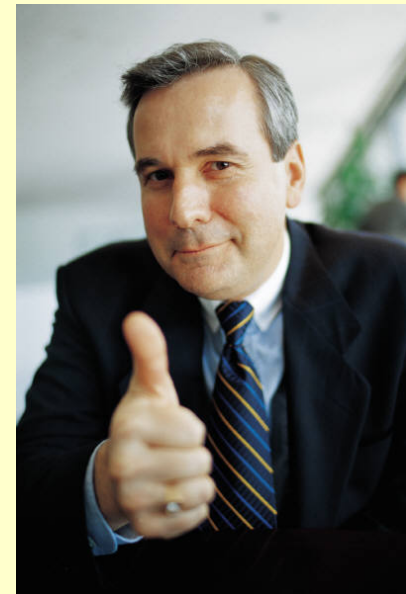
- Examines the results or consequences of a decision
- Focuses on the greatest good for the greatest number





# Principle Of Rights

- Considers one's duty or obligation
- Certain universal moral principles should guide our behavior regardless of consequences
- An individual's rights take priority



# Golden Rule/Platinum Rule

DO UNTO OTHERS AS YOU WOULD  
HAVE THEM DO UNTO YOU

DO UNTO OTHERS AS THEY WOULD  
HAVE YOU DO UNTO THEM



*Am I doing the right thing?*



# Disclosure Test

- How would you feel if your actions are made public?
  - On national news?
  - Plan newsletter?
  - Your friends?



# Ventilation Test

- Check with others on the decision before making it
  - Someone whose opinion you trust
  - Manager or co-worker
- Provides consistency within an organization
- Is it necessary to consult legal counsel, auditor, human resource director?



# Obituary Test

- How will I be remembered?



# Intuition Test

- A gut reaction
- May be the first sign of an ethical dilemma
- Healthy procrastination



# Process to Resolve an Ethical Dilemma





# Gather Information

- Know all the facts from every side
- Make informed decisions



# Consider Results of Alternate Courses of Action

- Generate possibilities
- Consider the consequences of each alternative
  - Who will benefit?
  - Who will be harmed?
  - Who has rights in this situation?
  - How will the affected parties react?



# What Are Your Obligations

- To the plan sponsor?
- To the participants and beneficiaries?
- To a third party administrator?



# Character & Values

- Is what you are about to do compatible with what you believe in?
- Can you can live with your decision?



# Check for Established Policy

- Is there a policy for your dilemma?
- What if you don't agree with the policy?



# Check With Others

- Don't go it alone
- New point of view?
- Validation?



*Have confidence in your decision*



# InFRE Code of Ethics

- The InFRE Code of Ethics provides guiding principles to address those situations that retirement counselors, administrators, and other financial professionals are likely to face in their professional activities



# Principles Of Conduct

- Principle # 1
  - Comply with the letter and spirit of all federal and state laws that regulate advice, services, records, and transactions applicable to retirement planning or retirement administration.





# Principles Of Conduct

- Principle #2
  - Act always in the best interest of the individual retirement plan participant for whom services are performed; And, when performing services for a retirement plan as a whole, act in the best interest of the plan and all persons who have rights under the plan.



# Principles Of Conduct

- Principle #3
  - Never disclose confidential information about the finances or status of a particular plan participant unless authorized by the participant or by law.



# Principles Of Conduct

- Principle #4
  - Be truthful and forthright in all communications relating to retirement services and transactions.



# Principles Of Conduct

- Principle #5
  - Perform all retirement services competently, diligently, and according to the highest professional standard; the designee will maintain the necessary specific knowledge and expertise to do so, and decline any activity that cannot be competently performed.



# Principles Of Conduct

- Principle #6

- Conduct activities relating to the retirement profession under the highest standards of personal and professional integrity, and in ways that reflect creditably on the profession.



# Principles Of Conduct

## ■ Principle #7

- Disclose to all persons for whom services are provided the Certificate Holder's source of compensation, the identity of any person or entities paying the compensation, and any material fact about the compensation that is necessary to understand potential adverse interest.



# Principles Of Conduct

## ■ Principle #8

- Supply material information relating to the transaction or service to the person for whom services are performed (including information that is not requested), if such information is generally recognized as necessary to any informed decision.



# Core Ethical Values for Counselors

- Subscribe to a set of ethical standards
- Adopt the golden rule
- Develop a “no harm” perspective
- Develop a “do good” perspective





# Core Ethical Values for Counselors

- Obtain moral role models
- Be trustworthy
- Learn from past decisions
- Learn from mistakes



# Questions and Comments

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