2011

The Impact Of Continuing Education Modules On The Moral Obligations And Responsibilities Of Financial Advisors

Sandy Modell
University of Central Florida

THE IMPACT OF CONTINUING EDUCATION MODULES ON THE MORAL OBLIGATIONS AND RESPONSIBILITIES OF FINANCIAL ADVISORS

by
SANDY MODELL
B.A. Windham College, 1975

A thesis submitted in partial fulfillment of the requirements
for the degree of Master of Arts in Interdisciplinary Studies
in the College of Graduate Studies
at the University of Central Florida
Orlando, Florida

Summer Term
2011

ABSTRACT

Increased life expectancies and a significant reduction in the number of corporate pension plans nationwide have made the prospects of retirement a challenge for many of us. The burden of funding retirement will move from the corporation or government to the individual. Those individuals with limited financial experience will most likely need the guidance of a financial advisor. Can we trust and rely upon them?

Following the 2004 late trading scandal and the 2008 financial meltdown, the Financial Industry Regulatory Authority ("FINRA") implemented Continuing Education requirements at the advisor level. The intent was to improve the quality and integrity of advisors' interaction with clients. I have interviewed forty-one advisors at four separate financial services firms to examine the impact of this training on the moral obligations and responsibilities of financial advisors.

To Donna, for everything, and to Robert for keeping her safe.

ACKNOWLEDGMENTS

Returning to school thirty-five years after finishing college is a tremendous challenge and I could not have done it alone. I want to thank Dr. Bruce Janz for his insight and support. I also want to thank Dr. Nancy Stanlick for her commitment and patient guidance. Finally, I want to thank Dr. Sally Hastings for her encouragement and gentle wit. I consider myself very fortunate to have had the benefit of their wisdom and the honor of their friendship.

TABLE OF CONTENTS

LIST OF TABLES

CHAPTER ONE: INTRODUCTION

Retirement used to begin at a certain age, but today the ability to retire is more closely related to an individual's personal finances than it is to one's age. The age of retirement was a chronological number. Now it has become a dollar amount and this forces us to think about our golden years much differently. Today, wealthy 50-year-olds are able to retire while less fortunate 70-year-olds have no choice but to continue to work. The financial world has changed and the ability, or inability, to retire is a reflection of those changes. In addition, the financial services industry has played fast and loose with how it designs and represents its products. Unfortunately, many of us will become the victims of badly constructed investment vehicles and some will pay a steep price, never being able to retire.

Some of the issues involved were a long time in development. From 1902 - 2002 there was an increase of over 50% in life expectancy at birth and an increase of 16.2 years for men and 19.0 years for women attaining the age of 65 ("Deaths: Final Data for 2007" 27). This raises the original life expectancies at birth, 74.8 years for a male and 79.6 years for women, to 81.2 and 84 years respectively. We also see, from 1975 - 2008, a 53% reduction in the number of traditional pension plans offered (U.S. Department of Labor 1) and a corresponding 31% reduction in the number of pension plan participants (U.S. Department of Labor 9.) During the same period there is an increase in the number of defined contribution plans, 401Ks and 403Bs, of 323% (U.S. Department of Labor 1) and corresponding increase of 609% in the number of defined benefit plan participants (U.S. Department of Labor 9.) The combined result is clear. We are going to be living much longer and we are going to have to do it with much less guaranteed retirement income. Additionally, a significant population increase during the same period, 1975 - 2008, makes these numbers even more extreme when viewed on an adjusted basis.

The damage to our confidence in the financial markets appears to have occurred in 2008, with that year being identified as the game changer, but that is not really the case. Game changers typically affect the way we act as a society. For example, in the 1960s the invention and availability of the birth control pill revised our views on sexuality and dating. And in the 1970s the introduction of home computers began to expand our processing abilities at home as much they had in the business world. Further, in the 1990s the Internet provided immediate access to a wider range of information and data than was ever available before. Game changers, such as these, which are often new technologies, transform the way we think and act. But 2008 did not do any of those things. It was less a revolutionary game changer and more a long overdue discovery that the game had finally changed. It was our "canary in the mine" alerting us to the danger we now faced. It was not an "aha" moment but more an "uh-oh" moment. Specifically, 2008 is when we began to realize that we were living in a financial house of cards. More importantly, it was not a recent problem but rather a troublesome long-term trend that had finally come to light.

Many people in previous generations had labored under a Horatio Alger work ethic. If one worked hard and saved, one could retire at the appropriate time. The employer and Social Security would provide a retiree with income for the rest of the retiree's life. There was no need to worry and so, until 2008, not enough people worried. Unfortunately, during the previous thirty-two years there had been a 53% reduction in the number of company sponsored retirement plans here in the U.S. (U.S. Department of Labor 1). The Alger model had become a financial fairy tale and had really been a fairy tale for most workers, even for those covered by a retirement plan.

Here is what happened. Gradually, improvements in medicine, lifestyles, and living conditions combined to extend our life expectancies. Life expectancy at birth in the U.S. is now approximately 75 years ("Death: Final Data for 2007" 26), but this does not tell the whole story. That projection includes infant mortality, childhood diseases, and teenage driving in the average. Remove those items, which are included in the average, and life expectancy goes much higher. A 55-year-old adult can expect to live to the ripe old age of 85 ("Deaths: Final Data for 2007" 26). A 60 year old couple has a better than 50% chance that at least one of them will live to be 95 ("Deaths: Final Data for 2007" 27). Theoretically, a person could work for a company for 30 years, from age 25 to 55, resulting in a 40-year retirement. In this case, retirement is 10 years (1/3) longer, than the actual working career itself. Clearly, that will create an unmanageable burden over time for the retirement plan sponsor because the pay-out of pension income to the recipient far exceeds the value of the employee contributions and earnings.

The real issue was the flawed structure of the traditional pension plan. It was originally known as a defined benefit plan because it contained specific formulas, based on compensation and years of service, to determine the monthly lifetime payment due the beneficiary. Hence, their benefits were defined, and large, long-term obligations were established. The inevitable growth and strain on these programs resulting from longer years of retirement have made them unaffordable for the private sector. Specific examples are companies in the airline and auto industries, which offered the largest of these plans, and have been the most affected financially. Today many S&P 500 companies still have large unfunded pension liabilities on their balance sheets threatening their future. These defined benefit programs have become unsustainable and will soon be gone forever. When that happens and without that financial safety net, employees are left to establish and fund their own retirement programs. How can they create stable financial futures for themselves and their families?

The defined benefit plans have been replaced by defined contribution plans such as 401K and 403B programs, which focus simply on the amounts employees and employers can contribute. From 1975-2007 there has been a 600% increase in the number of defined benefit plans being offered in the U.S. (U.S. Department of Labor 1). The control and growth of an account is solely the responsibility of the employee, and the employer has no ongoing obligations. Unfortunately, the amounts involved in defined contribution plans are inadequate to provide sufficient lifetime retirement income. So, individuals will need additional sources of retirement income to supplement these inadequate ones.

Longer retirements and inadequate funding also threaten the viability of Social Security, the backbone of retirement today. The topic has very quickly become something of a national obsession. Financial industry groups, such as the Investment Research Institute, question the solvency of the Social Security trust funds with articles such as "How Secure is Social Security?" (*On Wall Street* A3). *Time Magazine* (Zakaria 26) proposed that cuts from entitlement programs are necessary and mathematical, not political. They are financial realities that trump ideology, and we are all at risk. *The Orlando Sentinel* (Franklin G3) reviews the Kiplinger Letter's suggested considerations on where to retire. They cite sales taxes, state income taxes and property taxes as important factors in the selection process. Retirement as an issue burns brighter every day.

Internationally, it is the same story. *The Orlando Sentinel* (Irish A25) carried a report outlining the continued strife in France as they address the need for pension overhaul. We have also seen Greece's financial problems as regular front-page news for much of the first half of

2011. The high cost of the Greek entitlement program, as a percentage of their overall budget, has threatened the solvency of the European Union. Finally, there is China, whose population size makes it the greatest example worldwide of most economic issues. Pensions are no exception. The majority of its workers are not covered by their pension system and the government's severe, but long standing, policy of one child per family has created an aging population bubble without a large enough subsequent generation of workers to support the government programs on which they will be relying. The problem has been ignored until recently, but it is now very clear that the retirement plans of these countries are economic time bombs.

Worldwide, the retirement status quo is gone. Every senior citizen's greatest fear is outliving their money and being forced to live their final years in reduced circumstances. Retirement has slowly gone from probable, to possible, to unlikely. It has been a long time in the making. Now as we watch the unimaginable rapidly become the inevitable, our focus has to be on taking steps towards finding and implementing solutions to provide retirement income for longer life spans. Self-funded retirement assets will likely be a part of the solution. The ordinary individual is not an expert in personal finances and therefore will need expertise and guidance to avoid mistakes, achieve the best asset growth possible, and make it more likely that retirement income will be adequate.

Most people grow old. Our physical abilities diminish and our earning potential is reduced. So we generally need, and most people expect, to retire. Unfortunately, the rules have changed and the Horatio Alger fairy tale has now been fully exposed as unreliable. Heading towards retirement we are reaching for the past and finding ourselves obstructed by the future. The retirement of the past generation is not going to be available to the next generation of retirees. An individual expecting traditional retirement support is now forced instead to cope with a new financial paradigm, a larger population with fewer resources. The new paradigm is self-funded, and the decisions about how to invest and how much to invest are left to the individual. There will be a need for help, but what is the best way to provide it?

We can start by examining the system. The financial services business is a capitalistic industry. The people working there, just as those who work in any field, will include some of the most honest and reliable as well as some of the most unethical and least trustworthy. The extremes are unavoidable. However, the integrity of the financial markets is a critical and fundamental part of capitalism. Our system and our financial futures depend upon it. The U.S. stock market, over time, has traditionally outperformed fixed income products such as treasury bonds and bills (Damodaran 1). The S&P 500 is one of the broadest and most stable indexes of all the world's stock markets. The trick is to find the appropriate help and guidance in specific investment selection. Unfortunately, this has become more of a challenge than it should be.

The first problem is that investors and financial advisors see things very differently, with a large gap between each of their perspectives. For example, according to an industry survey (*On Wall St* 63) the average advisor believes that they are their client's only source of financial advice when in fact the average client feels the need to have 3 separate advisors. It is financial monogamy vs. polygamy. They each see the advisor - client relationship quite differently.

There is also the issue of confidence. During the 18-year bull market period from 1984 - 2002, the S&P 500 averaged 12.4% per year (Sullivan 14). Unfortunately, the average investor earned only 2.6% per year during that period (Sullivan 14). The clients felt that they were getting bad advice, while the advisors maintained that the clients were too skittish. The accusation was that clients jumped in and out of the stock market based on daily headlines rather than sticking with long term strategies and plans. So there is probably a lack of confidence on the part of some clients as well as bad advice from some of the financial advisors contributing to the problems in the advisor - client relationship.

Another problem is that advisors and clients speak and understand different financial languages. For example, an advisor may “sell short,” believing a stock will trade lower, but a client will hear “short sale” and completely misunderstand the transaction. Advisors will also stress the importance of diversification through asset allocation. It is a core financial planning tenet, and rebalancing is the method through which the original allocations are maintained. Unfortunately, the process is counter-intuitive. It requires the sale of profitable positions while simultaneously purchasing more shares of losing positions. It is confusing and advisors rarely explain the concept properly. As a result, clients are frequently unable to understand it and working relationships are often strained.

The communication between advisor and client is an example of the Elaboration Likelihood Model ELM (Petty and Cacioppo) in practice. If the factors which can increase the likelihood of receiving and processing a message are not in place, then it is likely that there will be less interest and effort on the part of the listener toward grasping the information in that message. Advisors and clients each need to be sure that they are being heard and understood in the context of the ELM.

Most importantly there are trust issues, exacerbated by a lack of common terminology. Financial literacy and communication were cited as problems by many advisors answering Question #14 which asked about the problems they have in meeting the obligations to their clients. Furthermore, advisors and clients have different goals and objectives, which is counter-productive. In a perfect business world their interests would be directly aligned, but that is not how the system works. They each want to make money, but not in the same way. Advisors get paid on commissions regardless of profits. Clients, on the other hand, need portfolio appreciation and want to keep commissions to a minimum. So some advisors may look to trade while clients are better served by buying and holding. Some companies exacerbate the problem with “grid compensation” schedules. As advisors hit monthly sales goals they receive a retroactive bonus on all business. Predictably, this kind of incentive plan manufactures temptation and can create financial mercenaries. Other companies avoid the trading commission dilemma by charging clients fixed asset management fees and paying advisors a flat rate. The wrinkle here is that advisors often have no financial incentive to monitor the account and the result is neglect. Trust has become a very important but tricky issue in financial services and money makes it more complicated. The question arises concerning how to improve and increase the level of trust that a client has in an advisor when the client’s money is at stake.

Finally, there is also the problem of understanding money. Advisors think in terms of percentages and annual returns. Their focus is strictly on the “how much” they can grow an account each year. Clients are more interested in the purposes for the profits. Braces for children, car payments, and a pool for the backyard keep their eyes on the “why” in their investing. Based on my personal experience of 30 years in the financial services industry, advisors would develop better relationships if they spoke in terms of images rather than numbers, because converting annual return percentages into tuition payments and an anniversary trip can be done, but not doing so only serves to highlight the gap in the advisor-client perspective.

It is also important to realize that as a practical matter there are two kinds of money, tangible and intangible. We are most familiar with tangible money since it is the kind we use daily. It includes cash and small credit card purchases. We can see it, touch it, and recognize what it will do for us. A tangible five-dollar bill will get you a mocha grande at Starbucks. We are connected to this kind of money because we are familiar with it. We understand it personally. Intangible money is just the opposite. It consists of the large amounts in bank or brokerage accounts that we rarely see, and almost never touch. We receive statements and only understand it intellectually. So advisors handle and think about intangible money while clients are most familiar with tangible money. Obviously, it is very difficult for them to understand one another with differing perspectives on such a critical issue.

In addition, communication problems can be magnified by an advisor's lack of experience. The financial industry's dirty little secret is that when clients think that they are hiring a financial expert or a market analyst they may only be getting a minimally trained salesperson. The lack of adequate ongoing training may be one of the reasons that many of them fail to live up to their fiduciary responsibilities with lapses such as unsuitable investment recommendations or excessive trading. They need to be both honest and skilled because one without the other is insufficient. An advisor with integrity - but without intellect - is just a very decent but incompetent advisor. Conversely, an advisor with intellect - but without integrity - may neglect or steal from an account. Clients should not be at risk of neglect, theft or incompetence in their advisory relationship. So the industry has a clear obligation to provide comprehensive training for ethics as well as investments.

Clearly business, and especially the financial services industry, is where commerce meets conscience. It is both an opportunity and an obligation for advisors to monetize their ethics. Do they see their clients as instrumental, simply an asset from which they can wring a paycheck? Or do they believe that those clients have intrinsic value and are worthy of respect? Are their ethics situational or consistent? Do they take a Kantian, duty based approach, with morally correct motives toward their clients or are they merely opportunists and hucksters?

The obligations of the advisor to the client lead to the issue of Continuing Education (CE.) It is important because it is the link in the chain connecting an individual and his or her retirement to the advisor. “CE” may be a potential solution. It instructs advisors to consider their responsibilities and obligations to their clients, reminding them of whose interests they must represent and of what is at stake. The “CE” modules review investment strategies and regulatory updates. Using simulated advisor - client meetings they teach advisors how to recognize and respond to client needs and concerns. Paraphrasing an old proverb, “CE” is the nail that keeps the shoe, that saves the horse, that protects the rider, who is then able to help win the battle. In this case it is a financial battle, and the bottom line is that “CE” is both elemental and fundamental.

As I noted previously, the burden is now on individuals to fend for themselves in managing their own retirement plans. This is a serious challenge for even sophisticated investors, but most people are financially inexperienced and are forced to depend solely on the advice of financial advisors. Unless those advisors are trustworthy, providing reliable guidance, many of their clients will make incorrect choices with disastrous financial results. Although even the best advisors cannot protect their clients from disaster 100% of the time, integrity and investment experience will give clients a better chance. Without both of these qualities, clients’ finances are likely to suffer and retirements will be delayed or unattainable for many people. The consequences are very significant.

Following the 2004 late trading scandal and the 2008 financial meltdown, the industry regulatory organization, the Financial Industry Regulatory Authority (“FINRA”) implemented

Continuing Education requirements at the advisor level. The intent was to improve the quality and integrity of advisor's interaction with clients and to protect the investing public. However, it is not clear whether any of this training actually works or, if it does, how well it works. Does it have any effect on how advisors conduct business and represent their clients? My thirty years of investment experience in retail, wholesale, and institutional positions lead me to question the efficacy of "CE". So I think it is important to assess its value for clients.

It is critical that advisors be guided to act always in the best interest of their clients. Does "CE" help to accomplish that? We need to know, first, just how much of the "CE" material is understood and absorbed by advisors. Second, how much of it is actually retained? And third, how much of it is applied and used in actual practice?

I think it is important to shine a light on the current "CE" training and find out whether it is substantive and more than just mere window dressing and, if it is substantive, what components could be added or improved. Basic "compliance training" would satisfy regulatory requirements and be useful in civil litigation defense, while legitimate training would improve client retention, advisor performance, and corporate profits.

The "CE" process needs to be broken down with each component, the message, the source, and the environment, evaluated separately. I started by looking at the quality of the message itself. Is the construction effectively engaging the advisor audience? The next component is the method of distribution and the conditions under which the training is completed. Is the message written, auditory, or interactive? How and when advisors receive training could make a significant difference in how much they absorb. I want to know how they feel about those conditions and, most importantly, to find out how much they actually retain of "CE" training.

In light of what we have seen in recent years it is clear that we are reaching a tipping point, and the futures of most people over 65 hang in the balance. If the “Golden Years” of millions of our citizens depend in large part on these advisors, then we need to know whether their ongoing training will guide them satisfactorily to honor their obligations, responsibilities, and commitments to those clients.

CHAPTER TWO: AN OVERVIEW OF THE LITERATURE

Communication Theories and Ethics Sources

If the financial security of retirees depends upon the impact of security industry continuing education training modules on financial services advisors, then it is important to know whether or not "CE" influences the way financial advisors manage their ethical obligations and responsibilities. There are three elements in that process. The first is the quality and distribution of the message, the second is the mutual participation and interaction needed from advisors and clients to create true communication, and the third is the advisor's ethical beliefs about obligations to clients and the ability to improve behavior as those obligations are recognized. The three elements need to be evaluated individually to isolate and understand the strengths and weaknesses of these CE modules.

We are constantly participating in some form of communication with one another, and much of message exchange is advisory in nature. We signal warnings, provide directions, and include instructions to guide one another through the day. In a technology driven world these communications occur more often. This puts advisors and clients in frequent, but less traditional contact. E-mail and texting have reduced the frequency of office visits and face-to-face contact.

Further, the vast majority of our communication seems to be persuasive in nature. Whether someone, or some organization, is trying to express an opinion, sell an item, get a date or land a job, that person wants something and will tailor the message to accomplish the goal. We, as receivers of information, will be bombarded with a wide range of messages. A critical part of our attitude toward those messages is dependent upon the credibility of the source. In an experiment described in "Prepurchase Attribute Verifiability, Source Credibility, and Persuasion," Jain and Posavac focused on the issue of source credibility (Jain and Posavac 169-

180). In the study, the experimenters tested for the influence of source credibility separately on search as well as experience attributes. Search attributes are those for which information can be readily found without having purchased the product, whereas experience attributes require actual usage of the product. Their theoretical rationale is that source credibility will affect these two differently.

The experiment was 2 (Manufacturer-Experience Attribute vs. Spokesperson-Search Attribute) X 2 (High Credibility vs. Low Credibility) with mountain bikes and cameras as the products for consideration. They developed, in a pretest with 20 respondents, a list of attributes such as weight, ease of control, and picture quality. Eighty one MBA students were paid $20 each to participate. They were shown black and white, single page ads for a brand of mountain bike and a brand of camera. Each ad had a headline summary at the top, a picture of the product with copy in the middle and the brand at the bottom of the page. The independent variables, manufacturer or spokesperson and high or low credibility, were in the copy. After seeing the ad, the subjects completed a questionnaire using a Likert grading scale which ranges in intensity from a one, registering strong disagreement, to nine, registering strong agreement.

The results were clear and consistent. In all five categories that were measured, the high credibility source was rated higher than the low credibility source, especially in the "trustworthiness" and "expertise" categories. Significantly, the high credibility source was rated 150 - 220 percent higher than the low credibility source in expertise. The Manufacturer-Experience attribute was also rated somewhat higher than the Spokesperson-Attribute in all categories, verifying the researchers' theory that source credibility would affect them differently, too.

Another experiment, “The Effects of Source Credibility and Message Framing on Exercise Intentions, Behaviors, and Attitudes: An Integration of the Elaboration Likelihood Model and Prospect Theory” (Jones, Sinclair, and Courneya 179-196) also examined source credibility but included message framing. This experiment was quite impressive. The research in advance had been very comprehensive with a thorough examination of the subjects’ exercise history and intentions. The theoretical rationale was well developed, continuing a recent trend of testing persuasion theory in the area of health related activities. We see theoretical research meet practical application and the product being sold is the promotion of physical exercise as a behavior.

The authors wanted to test the effect of both source credibility and message framing on exercise intention and the resulting behavior. They recognized that most exercise promotion campaigns emphasized the negatives, the unfortunate results of failing to act, and generally fail. They examined the Elaboration Likelihood Model “ELM” (Petty and Caccioppo). They also examined the Prospect Theory (Tversky and Kahneman) and reasoned that a credible source combined with a positively framed message could focus on the positives of exercise and have greater success. Very simply, the strategy is more carrot and less stick. Only one study (Robberson and Rogers) had looked at message framing and exercise and only one study (Rosen) had looked at source credibility and exercise. Jones, Sinclair, and Courneya’s intent was to study the interactive effect of both of them.

The design was a 2 (Credible vs. Noncredible) X 2 (Positively Framed Message vs. Negatively Framed Message) using 192 students in an introductory psychology class. They volunteered in exchange for partial fulfillment of the course’s requirements and were randomly assigned to read biographical information on either a credible source, a Medical Doctor, or a noncredible source, a high school science student. Randomly assigned groups of 12 - 15 men and 33 - 36 women were then given a positively or negatively framed message to read that was designed to promote exercise. After all responses were collected, including a current personal exercise questionnaire, all subjects were debriefed to be certain that no one had determined the real purpose of the experiment. Two weeks later, the subjects were brought back for the scheduled second session with 94 percent attending.

The results supported the hypothesis. Individually, source and message frame were not nearly so influential as they were when combined. Together they were 250 percent higher than either of them singularly. The subjects receiving the credible source and positively framed message formed fewer counter-arguments than those in the other groups. In addition, they reported the highest level of exercise behavior at the two-week testing date, showing a strong connection between their exercise intentions and their exercise behavior. Using the ELM (Petty and Caccioppo) and Prospect Theory (Tversky and Kahneman) the authors showed that using a credible source combined with a positively framed message could significantly influence intentions and actions. We make judgments on the reliability of information based on the quality of the source, placing a premium of up to 250 percent for a source that we value or trust over one that we do not trust.

Instinctively we have always known in a general way that the source of information was important and that we value experience in our sources. Once we begin to examine the many different ways in which source credibility influences us, the significance becomes much clearer. The experiments selected often use the Elaboration Likely Model, ELM (Petty and Cacioppo), as a basis for much of their research and, for the most part, their results support the model. High credibility sources seem to lead us to elaborate less and form fewer counter arguments. Low credibility sources have the opposite effect, causing greater elaboration and the development of more counter arguments. Clearly this makes source credibility a critical element in attempting to affect attitudes and increase persuasion.

It does seem that the more expensive an item is, for example technology products, the more influence a high credibility source has. The purchasers of cameras, bikes, and computers seem to place an increased value on source expertise than they might when selecting an energy drink because of the increase in issue involvement. Expertise would still be important but seems less so than transactions involving houses, college selections, and investment advice, where the dollar amounts can run into six figures, placing a greater value on source credibility and expertise.

Also important is the clarity that surrounds the presentation of the message. It has always been assumed that distraction will reduce the impact of a message and its reception. It was important to know if it was true, and if so, how much the reduction would be.

Persuasion (O'Keefe 143-144) addresses the Elaboration Likelihood Model (ELM) and examines some of the factors which promote or preclude receptivity by the listener of messages. O'Keefe cites Festinger and Maccoby (OKeefe 143-144) in which fraternity members from three different universities, broken into two groups, were shown a 15 minute video on the negatives aspects of fraternity life. The treatment group also watched a comical silent movie at the same time.

The results confirmed the hypothesis. Those in the treatment group were more favorable towards fraternities than those in the control group. The distraction had kept them from absorbing as much negative information as the other group had absorbed.

In “The Effects of ‘Handouts’ During a Speech on Receivers’ Information Processing” (Pryor, Butler and Boyson) the concept is the same but focused on handouts instead of an additional video. The experiment was a 3 (Message Extending, Message Repeating, No Message) X 3 (Thought Valence: Positive, Negative, Neutral) design. The purpose was to determine the positive or negative impact handouts would have on the message-receiving ability of an audience, in this case undergraduate students. Here we have a live presentation on the subject of increasing parking fees on campus, which presumably has a negative bias with them. The results again showed the distraction causing a reduction in thought processing. Specifically, they were distracted while hearing a message with negative information but formed fewer negative thoughts.

Both experiments supported the ELM (Petty and Cacioppo) and that a distraction, video or handout, reduces the cognitive processing of a message by as much as 40 percent. Petty and Cacioppo pointed out in the discussion section that a speaker seeking less elaboration from the audience could use this deliberately. For example, someone delivering bad news such as lower corporate earnings or reduced profits might find distraction helpful. In most cases though, it is important to present messages in a distraction free or distraction minimized environment. Otherwise the value and impact of the message may be considerably reduced. Distraction and reception have been shown to often operate inversely. As a recipient is distracted, the ability to process the message may be diminished.

Finally, I believe the most critical element in message reception is issue involvement. The assumption would certainly be that as issue involvement increases so does cognitive processing. You have their attention, but how significant a factor is this? In 1979, Petty &

Cacioppo conducted a test on the impact of issue involvement on the reception of positive and negative messages.

The experiment was a 2 (Issue Involvement) X 2 (Pro-attitudinal & Counter-attitudinal) design. The subjects were students listening to proposed dorm regulation changes. One group heard a message that was more liberal and pro-attitudinal, while another group's was more restrictive and counter-attitudinal. Some groups heard that the proposed changes were for their own school, a high issue involvement, while others understood the proposals to be for a school other than their own, a low issue involvement. The results were compelling. Even when the message was pro-attitudinal and agreeing with their self-interests, the students in the high issue involvement group had 253 percent more cognitive responses than those in the low issue involvement group. Most significant is that the counter-attitudinal message against their self-interests generated 458 percent more cognitive responses in the high issue involvement group than in the low issue involvement group.

The conclusions here are simple but very important. A message will generate more impact if the receiver has high involvement with the topic that is being presented. The impact will be greater still if the message is perceived by the receiver as a threat against or challenge to his or her self-interests concerning to that topic.

Combining these aspects of transmission, it becomes clear that using a credible source, presenting a topic of importance to the listener with potentially detrimental implications, in a non-distracting environment, will most likely give a message its greatest chance of being received and fully processed by the listener. Does this merely distribute information or does it actually create communication? The answer is in how we function and interact as a society. More specifically, it is found in the social construction of reality. The issue is how and why things exist, and a discussion of the topic really begins in the realm of philosophy. John Searle begins his book, *The Construction of Social Reality*, by discussing and evaluating facts. He cites some that are incontrovertible, "such facts as that Mount Everest has snow and ice near the summit or that hydrogen atoms have one electron, which are facts totally independent of any human opinions" (Searle 2). These he categorizes as brute facts. Other, such as marital status, currency, and property ownership are actually quite the opposite. We may accept them as facts, but they exist only because we have decided to believe and agree that they exist. He categorizes them as institutional facts.

He categorizes facts so that they can be examined and explored. Those facts, which require no human opinions, are non-institutional brute facts. That trees, oceans, the sun, the moon, and the stars exist are all brute facts. There is no arguing about them. You may call them something else, but there can be no discussion about their existence. Brute facts require no agreement for confirmation.

The second category is much wider and requires human input. It is comprised of institutional facts, which are best described as man-made. A piece of paper with George Washington's picture on it is only a one dollar bill, with recognized purchasing power, because someone in the institution of society thought of it and other people in the same societal institution agreed with the idea. Searle provides a simple way to tell the difference between brute facts and institutional facts. His litmus test is very simple: "could the feature exist if there had never been any human beings or other sorts of sentient beings?" (Searle 11). If so, it is simply a brute fact. If not, it must be an institutional fact.

We take reality and our perceptions for granted. Searle points out that "we learn to perceive and use cars, bathtubs, houses, money, restaurants, and schools without reflecting on the special features of their ontology and without being aware that they have a special ontology" (Searle 4). He explains that "this is because social reality is created by us for our purposes and seems as readily intelligible to us as those purposes themselves" (Searle 4). We make it by agreement, accept it, and then it is no longer even noticeable. It has become part of our reality.

Searle cites three elements needed to explore social reality. They are "function, collective intentionality and constitutive rules" (Searle 13). In this area, the important element is collective intentionality, essentially societal agreement. He believes it to be a primitive phenomenon and language is its operational mechanism. Finally, he sums it up by saying "the creation of institutional facts is typically a matter of natural evolution" (Searle 125). So, there is not anything until we create it. We start with nothing and then by agreement, through language, we construct our world.

James Carey takes the concept of socially constructed reality further and expands the emphasis on communication. In *Communication as Culture*, he examines the mutual contribution aspect of communication. It takes the participation of both parties to share, exchange, and build meaning. He goes on to emphasize the significance of the ritual aspect of communication. "A ritual view of communication is directed not toward the extension of messages in space but toward the maintenance of society in time; not the act of imparting information but the representation of shared beliefs" (Carey 4). Communication and community not only have the same verbal root, they have the same purpose. Communication "is the basis of human fellowship; it produces the social bonds, bogus or not, that tie men together and make associated life possible" (Carey 6). Society affects communication and vice versa, making it more than just a reflection of society, but also an influence upon it. It is not so much a convenience as it is a necessary part of the process. The value of communication is not merely in the receipt of necessary information but in the back and forth process that we use to build our world and construct our reality.

It is important, therefore, to know whether the Continuing Education modules represent a genuine form of communication. Are they able to create and convey actual meaning? How do the message recipients feel about it as communication since this may affect how well the material is absorbed? Is the creation of genuine communication a factor in the critical issues of how much the financial advisors understand, retain, and most importantly, apply? Do the Continuing Education modules create or sustain socially created reality?

The third and final element in answering that question is content. What should Continuing Education modules address? In *A Companion to Business Ethics*, Frederick has compiled and edited a book establishing a connection between the theoretical aspects and practical applications of ethics in business. Businesses need to operate profitably, but they must also act ethically. A profitable, but unethical, business will inevitably alienate clients, suppliers, or employees, and the profits will decline. An unprofitable business, even if operated ethically, will still fail. Long-term success requires both profit and ethical behavior. One without the other is neither fully functional nor sustainable.

It is possible that the five most dangerous words in business are “this time it is different.” That was the justification we were given in the 1990s when investors believed that the increased access to information provided by the Internet could somehow allow them to day trade profitably. It did not. It is the reason we were told during the technology stock growth boom that earnings did not matter anymore. They did. Core values are not fads, and they do not change with the seasons. One of the best examples of history repeating itself is “What Plato Knew About Enron” (Henderson, Oakes, and Smith). Here, they review Plato’s famous allegory of the cave in which he compares ignorance to darkness and truth to light. The tale also examines how we accept and react to new truths. The authors connect the lessons of Plato's cave allegory with a modern business failure, Enron, and provide a clear example of how little some things change. History repeats itself, and we need to pay attention. The culture of the investment world needs to reflect this. "This time it is different" is just a poor excuse for bad judgment or actions. Plato would tell us that it is never different when it comes to ethics and values. Things, the "it" in the statement, remain the same.

We want our advisors to act in accordance with the obligations and responsibilities of their position. But what are the obligations and responsibilities of their positions? In *The Trusted Advisor*, Maister, Green, and Galford give us an insight into the role itself and a focus on one key element, the importance of trust. The authors cover the meaning of trust, how it is built, how it functions, and why it is such an essential part of advising. Financial advisors are fiduciaries. Their most important obligation is always to put the needs and interests of their clients above their own.

Training advisors to put the needs of their clients first is one the purposes of "CE." If it turns out that advisors are failing to do this, it could be due to a problem in the Continuing Education modules and the problem could be in one of several different areas. The material could be such that it just does not encourage participation and involvement. It could be poorly written or it may simply fail to address the issues advisors need most. What if it is something else? Zimbardo's *The Lucifer Effect* examined the difference between individuals who are problems and individuals who have been in bad situations. His work is both innovative and relevant to the role of financial advisor, raising the issue of whether we have "bad apples" or "bad apple makers" (Zimbardo 10). Applied to the case of financial services, there is always the possibility that the problem is systemic and that the design of the industry itself is at the root of the problem. An inherently flawed structure could lead advisors to implement short-term trading strategies while clients prefer long-term investment opportunities, generating fees while clients focus on profits, and trying to grow and automate their business while clients want to be seen and heard as individuals. It is imperative that the financial services industry learns to align the goals and objectives of financial advisors with those of their clients. Business needs to be a broader process than simply taking money from clients.

Parker and Pearson address this in Capitalism and its Regulation: A Dialogue on Business and Ethics. Parker, a professor at the University of Leicester's School of Management, is wary of the influence that potential profits have on business and businesspeople. Pearson spent 30 years in the private sector before becoming an academic and has a much more pragmatic viewpoint. They participate in a literary debate and examine the positives and negatives of capitalism.

Parker, citing Marx, believes that profits are stolen from labor while Pearson makes the case for capitalism and the division of labor increasing productivity and benefiting society. Parker wants the workers to own the manufacturing plant and equipment, but Pearson points out that in reality someone has to invest and purchase that manufacturing plant and equipment. Some specific person or group has to be able to absorb losses during the early, and unprofitable, years of operation. This requires investment and an acceptance of risk which Pearson points out are basic elements of capitalism. Finally, Parker argues for some form of restricted capitalism, which Pearson adamantly opposes. Limited capitalism is a paradox; it is either unfettered or it is just something else entirely, most likely a free market with greater government regulation and constraint.

Eventually they agree in principle, but differ on degree. Capitalism is not perfect, but they believe it to be better than any of the available alternatives. For example, monarchies are based on lineage rather than merit. Advancement was often limited or impossible. Socialism and Communism, as evidenced by the failure of the Soviet Union, eliminated the opportunity for profit and lost individual motivation in that process, while quality suffered. We just need to limit the inequity that capitalism does create. In *Anarchy, State and Utopia*, Robert Nozick presents his concept of "justice in holdings" (Nozick 151) in which the holder of an asset must be entitled to that asset in keeping with justice. Further, a holder who receives an asset by transfer must be similarly entitled to that asset and the transferee must have been entitled as well. Nozick proposes that ownership of property and assets are to be based on fairness so that everyone would have what they were entitled to own. It fits well with Kant's duty ethics which are based on what we "ought" (Kant 111) to do and outlined in his categorical imperative. Nozick's argument for minimal government and full compensation to workers for their efforts matches Parker and Pearson's suggestion of a compromised form of regulated, ethical capitalism.

Hartman agrees with the Utilitarian position of providing the greatest good, as well as the need for improved ethical decision making in business. In "Reconciliation In Business Ethics: Some Advice From Aristotle," he argues against the separation thesis in which there is a distinction proposed between ethical issues and business issues. He sees no such distinction. In fact, he maintains that the willingness to remove ethical considerations from a business decision is already an ethical failure.

He discounts the concept of intermediate principles, such as the need for profit or management's obligations to their company's owners, as justification for making an unethical decision. It is not a good excuse; failing to treat customers or employees honestly for some perceived corporate gain is ethically deficient. Ironically, the short-term benefits of such actions will most likely be outweighed by the long-term negative effects, such as customers who do not come back or valued employees who leave the company.

Hartman believes that people who are trained to evaluate issues philosophically make better decisions. He cites the Milgram and Zimbardo experiments as examples. In the first, subjects believed they were administering electric shock to others as a penalty for questions answered incorrectly. In the second experiment subjects assumed the role of guards during a prison simulation in a college dorm. In both experiments subjects were easily manipulated into making decisions with which they were uncomfortable. They were not thinking clearly and the results were in conflict with their actual beliefs. These examples provide a solid argument for strong Continuing Education content to train financial advisors to think and make ethical decisions that accurately represent their beliefs and obligations rather than acting in haste and possibly being distracted by the opportunity for personal profit. Finally, Hartman points out that in ethical decision-making, the "choices will affect our values as much as the other way around" (Hartman 262). It is the essence of the thinking, sharing and contributing process that goes into building a Socially Created Reality.

Those ethical choices are evaluated by Robertson, Morris and Walter in "Overview of Psychiatric Ethics V: Utilitarianism and the Ethics of Duty." The case discussed is not related to economics but provides an example of how Utilitarianism, which the authors believe has long been a dominant consideration in philosophical discussion on morality, functions. However, they highlight a flaw in its logic and illustrate it with an example taken to the extreme. Specifically, we all realize that you can't kill a healthy person to harvest organs for other individuals. It is obviously immoral, even if it would provide the greatest good for the greatest number of people.

There would also be a conflict with Kant's deontological perspective. His duty-based moral philosophy focuses on what an individual has a duty to do. It is reflected in his categorical imperative, the formulations of which are based on what he believed to be absolute and universal obligations. These formulations were designed to guide decision-making during the ethical conflicts of daily life. The most relevant of these would be the second formulation, known as the Formula of Humanity, "Act in such a way that you always treat humanity, whether in your own person or in the person of any other, never simply as a means, but always at the same time as an end" (Kant 32). In it, Kant advised treating all others as you would yourself, never treating a rational being as having only instrumental value and warns against using others merely as a means to an end.

Harold Jones provided some great insight in "Immanuel Kant, Free Market Capitalist." Kant had an entrepreneurial background in having had to generate business as a tutor. As a result, he understood some basic issues. First, he realized that one could not sell a product that nobody wants. Next, he saw the importance of a business pricing a product competitively. Finally, he recognized that we need our clients more than they need us. We work for them; without them we are simply out of business. They are not just one of the important things, they are the most important thing.

Jones points out that Kant saw a small role for government in business, believing that the government's function was to maintain the peace, providing stability and safety for its citizens. Business should operate at a higher level of integrity, removing the need for excessive government regulation and interference. Much like Parker and Pearson, he envisioned a free market that looked like regulated capitalism. Over 200 years after his death, some of his concepts are as timely, if not more so, than ever.

Kant's design for business was very close to the intersection of capitalism and religion. He recognized that businesses must provide the expected value to their clients. Merchants may gain a small advantage by cheating a customer once, but they will lose that customer, and suffer a greater loss, over time. He also realized that using people as instruments was unavoidable but doing so exclusively, without regard to their value, was a moral failure. People have intrinsic value, and for that reason should be treated accordingly. His duty-based approach recognizes both the value that customers expect as well as the value that they represent. Consequently, Kantian deontology should be at the core of all financial advisor tenets and beliefs.

The literature reviewed led to the realization of several conclusions. A message will be affected by the credibility of the source, the environment in which it is delivered, and the relevance of the topic to the recipient. True communication is much more than merely providing data. It requires the ongoing exchange of information, understanding, and agreement. The impact of these issues on how financial advisors perceive and perform their ethical obligations forms the basis of my research.

CHAPTER THREE: DATA METHODS

My purpose is to investigate and examine the effect of Continuing Education (CE) on financial advisors. The big brokerage offices are a good place to start. They provide in-house "CE" modules and a large population of advisors. These advisors include men and women across a wide range of ages. They vary in general experience as well as years in the financial services industry and represent a good cross section of the industry.

I spent a week in each of four different investment firms. Each firm tends to have its own culture and that is reflected in their "CE." I want to evaluate the "CE" for four important elements.

The first element of CE is the credibility of the source. Does the level of source credibility improve or detract from the strength of the message? Second, are the modules presented in an appropriate environment? Does it allow advisors to focus and process messages without distractions such as phone calls or market activity alerts? Next, what topics are being presented? Are they of interest to the advisors or solely to the firm? Do the advisors focus on them or just go through the motions because it is a requirement? Finally, and most significantly, whether this qualifies as an interactive process of communication, or simply a corporate memorandum delivered in an online format?

The culture of a firm is also reflected in the type of advisors it hires and develops. One of the results is a wide variety of interview subjects. I interviewed ten advisors in each of three offices and eleven advisors in the fourth. It was important to vary the types of firms involved, mixing in at least one small, independent planning firm to be sure that the results are more representative of the entire financial services industry.

A total of 41 advisors provided a reasonably representative sample of the ages, experience, and gender of those in the industry. The interviews in each office took a week, covering what the advisors had retained of their most recent "CE" and how it affects their daily business practices.

The interviews were no more than an hour each, and the data was collected by note taking. The notes were transcribed at the end of every day while their context was still fresh in my mind. The goal was to evaluate responses from the advisors for whom the "CE" material has been designed and is intended. The data represents their viewpoint and perspective. I have developed a list of 20 questions, listed at the end of this section, to create an open dialogue.

The first step was to obtain permission to work in these financial services branches and interview their employees, the advisors. Financial Services is an extremely regulated industry. The branch manager is responsible for any activity that takes place in the office, from hiring to trading, as well as uninvited academic guests. I first explained the nature of the research. The objective was to give the branch manager an overview of the interviews required without giving away too much information because advisors need to be hear the questions for the first time when they are being interviewed to keep the answers spontaneous.

The branch manager's permission included which week and during what hours I could work in the branch. It was important to minimize my overall time in the office. The instructions also included which advisors are not available to participate and should not be disturbed. It was important to respect the courtesy that was being extended by making the interviews no longer than necessary and not disturbing the administrative staff or visiting clients.

Advisors were approached on a random basis and asked to participate in an industry research interview that would take about an hour. All participants, and their firms, remain anonymous. All responses are confidential. There were no questions regarding actual clients or proprietary products. In addition, there was no compensation for participating.

The issues I discuss begin with the advisor's most recent "CE." March is an ideal time of the year because most firms schedule their "CE" for very late or very early in the year. So there were usually 2-3 months between the most recent module and the interview. This worked well, providing an opportunity to test advisors' recall of the topics and whether those topics had changed their business practices.

I asked where they watched the "CE" and in what type of environment. Surrounding conditions relate specifically to distraction, concentration and message absorption. It is important to know what other activities, if any, were occurring at the same time. Were advisors multi-tasking or focused only on the modules?

The next two questions concern the perspective of the advisor about the "CE." First, what do they believe is the general purpose for taking the modules, and for whom are they really provided? Who is the intended beneficiary of the "CE?" Second, was it well presented? How do the advisors feel about the quality of the module? More importantly, who actually presented it and how did they feel about the presenter? I wanted an indication of how much credibility is associated with this source.

At this point in the interview the advisor's knowledge of the "CE" content is the focus. What major themes are they able to recall? Were these themes important to them? Which parts were ones with which they agree and with which parts did they not agree? Most significantly, in this group of questions, how does the "CE" affect the way the business is operated? I am interested in the link between the "CE" message and subsequent thoughts and behavior. I will ask if they have ever knowingly violated company guidelines? If so, why? And with what results? This is to try to separate the consistently troublesome advisors from those whose bad decision was merely an ethical anomaly.

The next group of questions relates to the advisor's individual belief system. It is impossible to try to measure the effect "CE" has if we do not have a starting point. So I asked for a personal values statement so we could begin with a rudimentary ethics baseline.

The next few questions concern the advisor's perceived relationship with his or her clients. What are their obligations to their clients and how easy is it to meet those obligations? What are the difficulties that may prevent satisfying those obligations? The critical question here is about how "CE" helps each advisor meet those obligations. How do these training modules either improve or expand an advisor's understanding of their responsibilities to clients or make them more proficient at discharging those responsibilities?

The last few questions relate to each other in a subtle way. I asked how advisors are able to see and treat their clients as individuals rather than as mere assets of their financial practice. This is the intrinsic versus instrumental issue that was addressed in the literature review. Each advisor was asked how the scandals and financial crisis of 2008 influenced their thoughts about the financial services industry and their position within that industry. How have their attitudes and commitments been changed by crisis?

For comparative purposes I asked each advisor how long they have been in the industry. My next question concerns why they chose the financial services industry as a career. Knowing why they got into the industry and what their beliefs are leave "CE" as a significant variable in their development, although there are other factors as well, adding to how they manage their financial practice and the obligations that come with it.

The final topic in the interview was the advisors' choice. It was an opportunity for them to expand on any subject we discussed or to raise a new issue that they felt was relevant or important. After an hour of being gently provoked in an interview, it was interesting to hear what they had to say without any guidance. After the interview I then requested that they not reveal any of our discussion topics until after I completed all the advisor interviews in their office.

The intention was to set an atmosphere of open dialogue to learn what the advisors heard during the "CE" and how they felt and acted as a result of it. The key issues here are the effectiveness of the "CE" messages and the quality of their communication, the perceived ethical obligations of the advisors, and whether those messages have any effect on how well those ethical obligations translate into practice.

I approached the interviews recognizing that advisors and professional advice are a significant part of the solution to the problem of financially impaired retirements. Continuing Education is clearly an important part of the solution. If there is a problem with financial advice, I wanted to obtain enough data to be able to begin to pinpoint the cause as the "CE," the advisor's ethics, or the industry and system itself. If the "CE" is well constructed, the problem could very well be the lack of real communication from a socially constructed reality perspective. It is possible that there would not be any real behavior change without true communication. If the "CE" is well constructed, with real communication, then the problem could be the industry and its system.

Advisor Interview Questions

1. When was your last Firm Element/CE training?
2. Where were you watching from, what were the surrounding conditions?
3. What's your understanding of its general purpose? Benefiting whom?
4. Was it well presented? By whom?
5. What themes do you recall?
6. Were they important to you?
7. What parts did you agree with? Why?
8. What parts did you disagree with? Why?
9. How does the CE influence or affect your business practices?
10. Have you ever knowingly departed from guidelines? Why? Results?
11. Can you articulate a personal value/ethics statement?
12. What are your obligations to your clients?
13. How easy is it to meet those obligations?
14. What are the problems?
15. How does the CE help you meet those obligations?
16. How are you able to separate clients as individuals from clients as an asset?
17. How has the 2008 scandal influenced the way you think about the industry?
18. How long have you been in the financial services business?
19. Why did you get into the financial services business?
20. Open comments from advisor on the topics we've discussed.

Firm #1

CE modules. The “Compliance” module is well stated but very authoritative and official. It is specific, using bullets and pictures, but not interactive. It feels like a large online memo. The “Ethics” module focuses on five topics. They are computer usage, insider trading, privacy of information, the company travel and entertainment policy, and the corporate hotline. It is not even remotely ethics oriented. The emphasis on rules and policies make it a compliance supplement.

Table 1: Firm #1 Advisor Responses

Question	Advisor 1	Advisor 2	Advisor 3	Advisor 4	Advisor 5	Advisor 6	Advisor 7	Advisor 8	Advisor 9	Advisor 10
1	11/10.	12/10	7/10.	11/10.	11/10.	5/10.	12/10.	11/10.	12/10.	10/10.
2	At my desk.	At my desk.	Right here at my computer.	Right here, on my computer.	Online, right here in my office.	Right here at my computer.	Right here through the computer.	Part of it here and part of it from home.	Here, on line.	Right here.
3	It's required by FINRA. It benefits me, or the firm.	To adhere to regulatory guidelines but I think it's mostly a cya so I'm to blame when something goes wrong. For the benefit of the firm.	Just that we're always acting in the best interests of the client. More for the benefit of the advisor.	Keep you up to speed on any new rules or regulations. Keep yourself clean and learn from the mistakes of others.	To ensure that I'm aware of changing legalities in our industry. There's regulatory and new stuff, new ideas. I think the stated goal is to protect me, but ultimately to protect the consumer.	CE, compliance, knowing your client and other items we should keep up on.	Keep us up to speed on all the changes and ways to protect us.	My understanding is that it is more to refresh our memories on FINRA points.	It's to try to keep you abreast of changes in the industry and things you should or should not be doing. It triggers reminders and keeps it fresh in your mind.	To comply with regulatory oversight. Clients.
4	Sure. By the company.	No, it was childish but I understood and got their point. No idea, it just begins.	Yes, they gave different case studies.	Very well. Actors on the video.	Yes, it's efficient with case studies and audio. The company uses an outside vendor.	No, it was kind of annoying. I don't know, I guess actors.	On a scale of 1-10 it was probably a 5 or a 6. Just an online thing that we read and watched.	It was ok, as well as could be expected for something that's going to be cut and dry. Opening comments from senior management but the majority was us reading it.	Yes, they have both visual and auditory. It's just course material.	Yes, just on the computer.

Question	Advisor 1	Advisor 2	Advisor 3	Advisor 4	Advisor 5	Advisor 6	Advisor 7	Advisor 8	Advisor 9	Advisor 10
5	Client communication, money laundering, special rules for seniors over 65 years.	Money laundering, know where the money is coming from.	Most of it dealt with making sure that investments were appropriate for the client.	Money laundering, sexual harassment in the work place, insider trading.	Suitability, dealing with seniors, money laundering, comingling, reimburses for losses.	Know your client rule, general ethics, money laundering and what to look for, big section on HR, common sense.	Anti-laundering was one. Code of ethics and sexual harassment.	A section on annuities to seniors, a section on harassment.	Sexual harassment, ethics, money laundering, HR issues.	Money laundering, variable annuities.
6	Important for everyday, no. General value, yes.	Yes, but it is overstating the obvious for the protection of the firm.	Yes	Yes, absolutely.	Yes, but it's a laborious task just trying to get it done. More often than not the themes are useful. I'm not hostile to it anymore.	Some.	It's hard to say because it's the same stuff we've been going over year after year.	I considered them worthwhile to be presented, so yes.	Yes, but not relevant to the way I run my business.	No.
7	Specific things to abide by to stay out of trouble.	All of it.	I agreed with all of them. I think it's good for our industry.	All of them.	The thinks I liked the most are some of the employee related issues such as jokes. Politically correctness can sometimes paralyze us.	I agreed with most of it, all of it to some degree, but it is repetitive.	The one that really stood out to me was the anti-laundering. Asking the right questions.	Senior suitability should be a concern, and the desire not to have sexual harassment in the workplace.	I agree with all of them. I think they do a good job with the ones it's necessary for us to be aware of.	I agree with the overall theme of having CE, but it gets to be a little redundant.
8	Same stuff again and again. Not updated, current material.	Written by lawyers for lawyers.	I didn't disagree with any of them.	I didn't disagree with any of it because they make it very exaggerated.	The scenarios that they run people through don't seem very lifelike. They seem written by people who have never sat behind this desk.	No, I don't think so.	There wasn't anything I really disagreed with.	No, just that they over-emphasized the point they were making.	Only that year after year some of it gets repetitive.	No.

Question	Advisor 1	Advisor 2	Advisor 3	Advisor 4	Advisor 5	Advisor 6	Advisor 7	Advisor 8	Advisor 9	Advisor 10
9	Keep it in the back of my mind and follow the basics. It's a litigious society.	None, other than taking an hour out of my day every month or so.	The CE keeps me up to date on new tax regulations.	I'd have to say it doesn't because I already have high ethics and morals.	I will occasionally come across somebody and not realize it had been such a big deal.	It doesn't.	Honestly, it really doesn't other than making me a little bit cautious.	I like to think that it does nothing more than remind me of things that I should be aware of. People tend to be complacent and CE reminds us not to be.	I don't think it does.	It reminds me of important principles.
10	No, not really. Not worth risking my license.	No, I don't think so.	No.	No, I don't bend the rules.	Yes, I'm sure I have. An audit slapped got my hand slapped for having pre-signed documents for distribution.	No.	No, not knowingly.	Of course I have. No, because I eventually completed the task. I didn't break the rule, I bent it.	I don't thinks so.	You don't have a choice, you can't.
11	Trust is the most important thing I have to represent. It's the most important trait of my career. It's the number one thing I have to protect.	I once heard this. I'd rather lose half of my clients than half of their money. I'd rather say something that rubs them the wrong way than tell them what they want to hear if it's not in their best interests.	I tell clients that I am the worst marketer; all of my new clients come via word of mouth. I put them first so they feel they can trust to refer friends and family to me.	Treat my clients like I treat my parents. As long as I do that things will work out.	I'd like to treat my client the way I'd like to be treated but with an understanding that I can't do it for free. I temper my actions with the idea of value for the firm, the client and myself.	I believe in working hard for your client, knowing your client, and being as honest as you can be.	Doing what's right for the client, doing the homework. Delivering what they want, not just trying to sell them a product.	I'm a light sleeper and if I ever do anything to make it even harder to get to sleep I should get out of the business.	I think trust, integrity, selflessness, putting the clients first, a lifetime relationship, helping them transition through life.	Treat everybody the way you'd want to be treated yourself.

Question	Advisor 1	Advisor 2	Advisor 3	Advisor 4	Advisor 5	Advisor 6	Advisor 7	Advisor 8	Advisor 9	Advisor 10
12	Sound advice based on knowledge and facts available. Honesty. Good customer service.	To work hard, do the best job I can and to be honest with them.	To do everything that I can to help them reach their objectives and goals.	Provide the best service I can with a high quality investment process. Be a good listener and try to tackle their fears and concerns.	I have a tremendous obligation to my client, but sometimes their looking for something I can't provide. Better returns with significant downside protection.	To treat them fairly, be honest, spend the necessary time with them.	To listen to the clients and try to figure out how to meet their needs and finding ways to make them more at ease with their financial situation.	Always give them 100% of my expertise and always do the right thing for them to the best of my knowledge.	To provide them with the best service possible, help them problem solve, get answers to their questions and provide emotional support. To always be there for them.	I have to do right by them, first and foremost, to the best of my abilities.
13	The non-investment part is very simple.	It is not easy. That's why most guys don't do it. They tell people what they want to hear.	It's not.	Sometimes it's difficult because of the difference in the client's expectations.	It's impossible. You have to explain to them that a 10-12% return may cause some pain.	Not at all easy. I left at 8:00PM last night.	It's definitely not as easy as people think because clients tend to change their minds a lot. They'll tell you their logical goals but their emotional goals may be something different.	In general, it's not hard because if you talk to your clients they'll tell you what they want you to try to do for them and then you try to do it.	I would not say it's easy. It's a constant struggle to be your best and do you best.	I think it's extremely easy because I don't have a problem charging a fee for what I do.
14	I can't control the markets and people make crazy decisions. Ask for advice but don't take it. Best advice is useless if untaken.	The general public has been conditioned by the media to ask for things that are not realistic and to be overly sensitive to things that they can't control. The war of the day, corporate malfeasance, etc.	In some cases you have a couple in their mid-50s with $100K in assets and lots of debt and they have in their heads that they're going to retire at 62. Reining in expectations.	Not a miracle worker. Trying to keep their expectations in check with reality.	They're lack of understanding. Many people are financial illiterates and we're dealing with unknowns.	Time.	Client goals change. Clients don't know what their goals are. Fear and greed definitely try to pull them away from the strategies to meet their goals. Outside uneducated opinions, friends, media.	Managing client expectations.	Finding good employees with the same value proposition and motivation.	The problem would be perception on the client's part.

Question	Advisor 1	Advisor 2	Advisor 3	Advisor 4	Advisor 5	Advisor 6	Advisor 7	Advisor 8	Advisor 9	Advisor 10
15	It doesn't.	It does not.	I don't know if CE does.	Basically CE just keeps me informed on any new regulations or processes that could benefit my clients.	It doesn't a lot. It's way later behind the actual risks.	It doesn't.	It doesn't. Not today's CE.	Managing my expectations as much as the clients.	It doesn't.	It just reminds you of the fundamentals of the business and to do the right thing.
16	I don't look at them as assets. If I do the right things for them the financial rewards will take care of themselves.	I can't. As a human being and business person I'm conscious of potential revenue.	I view all of them on an individual basis. We form a friendship before a business relationship.	My main goal is to take care of my clients and my client's happiness and success will roll over into my business.	I guess I don't do that well. I do try to get involved in their lives.	You don't. They go hand in hand. The relationship is all encompassing.	The only ones that I see as just assets are the ones that don't listen, don't take our advice, which are really the ones that we should just fire.	Why should I? They are a combination of the two. I think of them as clients first and assets second in the context of what's most important.	I separate them first as people and what their needs are and then the assets follow.	I really don't. If you do what's right eventually it will pay you.
17	Beyond a lot of gray hair and stress, I'm much more leery of anything I don't understand. Alternative investments, etc.	I was already cynical about Wall St. and this just makes me more vigilant with client's money about what I'm being told by product salespeople.	I won't say it made me negative. Maybe more cautious.	I truly feel that it was an error of greed and the ramifications are what we went through in 2008 and 2009. I don't feel that it was just Wall St. Many individuals didn't have to use their home as an ATM. They got caught up in the greed.	I'm way more skeptical of large firms and large decision makers.	-----	My view of the industry isn't skewed that much. It changes the way our clients see the financial world because they're a lot more skeptical and pessimistic.	It really didn't have a big impact on how I thought about the industry after 28 years. It didn't surprise me a bit. I see myself as a gate keeper trying to protect my clients from things that don't make sense.	It puts a lot of uncertainty in your mind. Much more second guessing and questioning and stress.	I don't trust New York based firms. They're not out for the client, they're out for the bottom line.
18	17 years.	24 years.	20 years.	20 years.	16 years.	10 years.	A little over 9 years.	31 years.	25 years.	25 years.

Question	Advisor 1	Advisor 2	Advisor 3	Advisor 4	Advisor 5	Advisor 6	Advisor 7	Advisor 8	Advisor 9	Advisor 10
19	I have no idea. It seemed like a growing industry in the early 90's and I could help people and be financially rewarded.	It sounded exciting and interesting and the potential financial rewards.	I kind of stumbled into it. Wanted to put my finance degree to work.	Tough job market, saw an ad and attended an industry open house. That was that.	Because corporate finance was too slow and I wanted to make more money.	My aunt was in the business.	My dad is a financial adviser and I just liked what he did.	In a nutshell, the manager of the office I traded in said I spent so much time there that I should work there. So I did.	I was a CPA and didn't enjoy number crunching without any creative outlet to fix the problem.	I always wanted to do this, ever since High School.
20	The problem with the industry is firms not taking their ethics seriously when the make new products. We need to be cautious or we end up with the responsibility of dealing with unhappy clients. The ethical responsibility seems to be pushed to the retail level.	The one statement I would make to someone tempted to stray from good honest practices is the parts of CE that emphasize the punitive penalties might keep them from stepping over the line.	Nothing.	-----	I worry about what I'm doing to protect people from the problems I see coming in the future.	-----	The hard part is dealing with outside influences. 2008 made clients trust us less.	This is one of the few businesses that you can be in and be trusted less than a used car salesman. The bad apples get the press.	I would like to see our CE be more applicable to what we deal with on a daily basis.	-----

Firm #2

CE is given several times per year at the home office in a large conference room. It is live and interactive. I have attended it in the past.

Table 2: Firm #2 Advisor Responses

Question	Advisor 1	Advisor 2	Advisor 3	Advisor 4	Advisor 5	Advisor 6	Advisor 7	Advisor 8	Advisor 9	Advisor 10	Advisor 11
1	February 2011.	February 2011.	February was the last time.	November 2010.	November 2010.	February 2011.	November 2010.	February 2011.	February 2011.	February 2011.	It was November of 2010.
2	At the firm, in the conference room, it's a group meeting. We have to attend three of the four that are offered each year.	At the home office.	They have meetings company-wide, it was at one of those.	Down at the home office in a conference room.	In our conference room. It's required. We have 4 per year and 3 of the 4 are required	Right here in our big meeting room.	In the meeting room.	In the boardroom.	Here in the conference room.	We did it at the home office.	At the corporate office.
3	It's to keep a rep current on matters related to the industry. I assume that's the intent. For the benefit of the registered rep.	It's like going to church. To keep you current on regulations so you don't stray. And it clarifies questionable issues. Theoretically, the client.	It's two-fold, one is to keep you apprised of changes in the laws and the other is to keep you from getting stale. Especially if you've had your licenses for decades.	Two fold. To keep us on the cutting edge of what's going on and to meet our requirements. Administrative and knowledge.	To make sure we understand what's above the law and what's not. Understanding what's available for our clients and to meet the needs of each individual. For the benefit of clients and the advisors.	To keep us informed and educated in what we do for a living. Expose us to ongoing training and knowledge. It benefits clients, the public. They will benefit from what I know.	To keep us updated with what's happening in the industry and keep us in line with those changes. I think it's for the benefit of our clients the general public.	It's to make sure we stay abreast of changes in the industry. Keep us knowledgeable so we can advise our clients.	To keep you fresh on any changes in the industry. It benefits the individuals but ultimately the company. Obviously it protects everyone involved.	Basically to keep the advisors informed with any regulatory or tax law issues. Keeping us informed. It benefits the consumer really.	General purpose is to make sure that we're informed and up to date. To keep out of trouble and how to best serve our clients. Three players. Client first and foremost, the registered representative, and the firm. We all should benefit.

Question	Advisor 1	Advisor 2	Advisor 3	Advisor 4	Advisor 5	Advisor 6	Advisor 7	Advisor 8	Advisor 9	Advisor 10	Advisor 11
4	Yes. Typically presented by wholesalers who have had their presentations pre-approved. It is not product specific.	Yes, the Branch Manager does a very good job. Branch Manager and three to four wholesalers.	I believe that particular one was a wholesaler on distribution strategies. It was just ok.	They usually are well prepared. Powerpoints and handouts. Couldn't tell you who it was.	Absolutely. 95% of it the CE, absolutely.	Yes.	Yes, the branch manager does a grat job of putting together good topics with interesting speakers.	Yeah, it was. We got some different perspectives from the presenters.	Yes.	Yes.	Yes it was.
5	A presentation that had to do with the lengthening of American life and the impact on clients, society, Medicare. Another vendor dealt in estate planning and the direction he came form was a life brokerage shop. He talked about the need for estate tax reform and reviewing the tax changes of 2010.	Generally speaking, the regulations concerning variable annuities, client communication as it relates to social media. Also the compliance requirements for client communication s.	I recall very little from it.	Annuities, usually variable annuities and Reits.	Ethics.	I think we talked about Reits, some income strategies for retirees. Regulatory stuff was probably the less interesting but much needed portion. Money laundering and communication have been important topics.	I can't tell you specifically.	How to make sure your client doesn't run out of money. The insurance part was taking care of loved ones and business continuation. Also social media.	The insurance guy talked about OBRA trusts. The branch manager talked about items that were of greater importance to FINRA such as social networking sites.	We covered the FINRA concerns such as money laundering and how the State of Florida made some changes on annuity requirements. Then they were talking about social media issues.	We had an update on FINRA, social media, Reg D suitability and money laundering. Those were the principal ones.

Question	Advisor 1	Advisor 2	Advisor 3	Advisor 4	Advisor 5	Advisor 6	Advisor 7	Advisor 8	Advisor 9	Advisor 10	Advisor 11
6	Yes.	Yes, in light of changing methods of communication in the world.	Marginally.	About 60-70% of the time. Some of them might be outside the range of my licensing.	Ethics, while it's big on my list, they're preaching to the choir. But I get cranky when I have to hear the same thing over and over again.	Most of them are. You take a little something from every "CE" I've ever attended.	I do recall that they were important. I always learn something.	Yes, particularly for me at my point in life I don't want to run out of money.	Yes because I have a client that needs an OBRA trust.	Yeah.	Yeah.
7	Well I agreed with everything he said, it's the law.	Mostly, the supervision of the advisor to ensure that the consumer can rely on the industry is good for us all.	Yeah, but agree may not be the correct word. He talked about how insurance companies set up their distributions.	Most of it. I don't recall any sticking points.	All of it.	I agree with it all.	Our attorney presented real life lawsuit scenarios. It's hard not to agree with that.	Yes, most definitely.	It was mostly factual information so I'd have to agree.	I agreed with the State of Florida and seniors information.	The ones about the FINRA hot buttons and social media.
8	I didn't disagree with anything.	FINRA's absurd levels of compliance that go beyond the intent of the law and into minutia, raising costs and reducing margins.	Not that immediately comes to mind.	None.	I can't remember any.	No, only when the presenter mentions his product.	No, I typically don't disagree with any of it, although I might not like a product being presented.	Yeah, 100 percent of anyone's net worth shouldn't be in variable annuities.	There really wasn't anything to disagree with.	I have a hard time understanding the rules on social media. It just seems silly.	The money laundering was not of interest to me. I know the basics and I don't come into contact with any of it. I didn't think that was the most productive use of our time.

Question	Advisor 1	Advisor 2	Advisor 3	Advisor 4	Advisor 5	Advisor 6	Advisor 7	Advisor 8	Advisor 9	Advisor 10	Advisor 11
9	Not at all. I do a lot of reading and attend a lot of outside conferences. If they dropped "CE" tomorrow it wouldn't affect me at all.	Positively and adversely. You think about what's best for the client. The negative is that I don't do electronic communication with clients. It's too cumbersome.	Occasionally, I learn something new that I can incorporate into my presentation. I don't think I've seen one that will change anything I do in a long time. They're usually removed from what I see in reality.	Probably not very much.	It gives me new and fresh ideas from a product standpoint. I also enjoy the camaraderie of being amongst other planners.	It gives me confidence in knowing I can speak on a wide variety of topics that may come up with a client.	I think positively. It always reminds you because you get caught up in the day to day.	Several different things. It gives you confidence to be able to talk about all these different issues. I definitely believe in "CE."	I can educate my clients on various topics I learn about. On the compliance portion it has very little effect.	It gives me extra information or refreshes my knowledge base.	Conscious awareness when certain things come up. I've said to myself this is what they were talking about.

Question	Advisor 1	Advisor 2	Advisor 3	Advisor 4	Advisor 5	Advisor 6	Advisor 7	Advisor 8	Advisor 9	Advisor 10	Advisor 11
10	No, I have not.	Because of the nature of what we do here I would have to say no.	I would have to say probably, although nothing specific comes to mind at the moment. Oh, the legislature has added paperwork on Variable Annuity sales. They would like you to review each point with the client, but clients have no patience. I think you'd lose a lot of sales if you did it that way.	Yeah, from the standpoint of holding in my office a check beyond 12:00PM. Once in a while I'll get excited about a B/D only piece and showed it to a few clients before I realized it.	No, in my practice I'd have too much to lose.	No I can't come up with anything.	I had a friend tell me years ago that I'm a good rule follower and I am. I always ask myself If it would be worth it and the answer is usually no.	Yeah sure. You have to be logged in on the computer, for some "CE," for an hour. So you woak away and leave the computer. Come back later. We've also taken "CE" as a group, tests included.	I have communicated with my Mom, who is a client, through my private e-mail instead of through my business e-mail which is required.	Not really, just because in our situation our comp drives the business and we don't do any advertising. So it's not an internal issue for us.	I qualified yes. I'm human and have not knowingly done so, but discovered mistakes after the fact. For example I once gave a client a gift card and later found out in a "CE" meeting that I had exceed the allowable gift limit.

Question	Advisor 1	Advisor 2	Advisor 3	Advisor 4	Advisor 5	Advisor 6	Advisor 7	Advisor 8	Advisor 9	Advisor 10	Advisor 11
11	Don't do any harm. I've never knowingly injured anyone financially.	Do for your client the same as you would do for yourself if you were in their circumstances with the same facts and the same level of knowledge.	Well, I value ethics pretty highly. In general, I like Hillel's idea which was that you should do nothing to others that would be hateful to you. You don't mislead people. Not intentionally. Presenting the facts honestly keeps a level playing field, better decision making.	Yeah, I try to give the advice to my client that I would take if I were in the same position. If it was my Dad or my brother.	My focus is about the needs of my clients. Without them I wouldn't have a practice.	If I put the client's interest first I'm doing the right thing for the client and I'm doing the right thing for myself. I'll have client for a long period of time.	I take the responsibility of handling clients' money really seriously. I feel a huge responsibility to do the right thing.	It's the old golden rule. I treat people like I want to be treated. I don't want to cheat people and I don't want them to cheat me. I want the game to be fair and it bothers me when people cheat.	I want to treat people like they're family.	Always put your clients first. Treat people as you want to be treated.	I'm a Christian and I try to live by the golden rule and do unto them as I would have them do unto me.
12	I'm overly transparent and overly cautious in their regard. I view myself as though I am their employee. I work for them and they can fire me. I owe them my honest judgments and honest opinions based on my knowledge and experience.	Identifying he objectives and circumstances and with those two things in mind helping them make the right choices.	My obligation, at its core is to do the best I can to help them meet their goals, whatever they think they are.	To establish suitability of investments with an eye towards trying to help them meet their goals.	To help them with their financial goals. To help them with their plan to retire. Getting them the best returns while limiting volatility.	It is to help them see all the aspects of their financial life, to improve their well-being, and prevent catastrophe.	To do what is appropriate for them in light of what they are trying to accomplish. To be available to them and to educate them in the process.	Treat them like I would expect to be treated. Put them in the same things I'm in, if it's applicable.	To be fair, honest, open and transparent. To do the best I can with their money	They're looking for advice and someone they can trust. We try to provide direction.	It is to give them the best product I can to fit their needs and to look after their best interests. If I'm looking out for their, needs mine will then be met. Serve and be served is what it boils down to.

Question	Advisor 1	Advisor 2	Advisor 3	Advisor 4	Advisor 5	Advisor 6	Advisor 7	Advisor 8	Advisor 9	Advisor 10	Advisor 11
13	It's second nature for me. It's part of who I am.	Generally speaking, it's fairly easy.	That's kind of a mixed bag. It depends on whether they're expectations are reasonable.	Well, so far so good. We've had a lot go on in this decade and my clients are hanging in there. A few cashed out in 2008 but it wasn't me. They were just scared. By the number of people who've stayed with me through thick and thin we're helping them meet their goals.	I do my diligence and research. With the right tools it's very easy. But it's better if the market works with me.	Pretty easy.	It's easy, it's part of my approach.	It's easy. I'm not going to put someone in something I don't believe in.	Much easier now than with my previous employer.	If we're not meeting those obligations why should they do business with us. We aim to meet that 100 percent of the time.	It's natural because that's who I am. Being genuine.
14	Yeah, staffing limitations prevent me from doing as much as I'd like to do for clients.	Expectations of the client. Their goals need to be realistic.	Reasonable expectations, if what they want is beyond the scope of what you can do.	One of the major problems is regulatory, compliance, the works. There seems to be less margin for error.	Market volatility and client perceptions of the media and panic in that regard. Clients can sometimes be their own worst enemy.	The hard part is when they don't perceive it as what's best for them. Their fear of a fee may leave them exposed.	The client doesn't always listen to what you have to say.	The problems are if somebody's got a large amount of money it's tough to say no I'm not going to take that money because your expectations are unrealistic.	I am successful in meeting those obligations.	Sometimes a client or prospect's expectations are different from what we think. So making sure our expectations and theirs' are equal.	Sometimes a lack of understanding and misperception on the part of the client.

Question	Advisor 1	Advisor 2	Advisor 3	Advisor 4	Advisor 5	Advisor 6	Advisor 7	Advisor 8	Advisor 9	Advisor 10	Advisor 11
15	Absolutely not at all.	If you have any understanding of government expectations, it puts a little angle on your shoulder to help guide you.	I think the one area that "CE" helps is that it makes you aware of the things that weren't at the top of your mind.	Probably for compliance purposes. I really pay attention to what I'm supposed to do.	Ok, for example, a program I use for analysis was introduced here through one of our programs. It's a huge take away for me. Listening to a tax attorney talk about estate planning is also a big take away for me.	It gives me the confidence to know that I have the knowledge on a topic I may be discussing with a client.	The more arrows you have in your quiver the more you'll be able to help your clients. "CE" exposes you to more options. It broadens your frame of reference.	I think the "CE" is just a constant reminder that you have got to stay up to speed or you're just short changing your clients and a constant reminder of those obligations.	It depends on the "CE." If there's useful information I can convey it if it helps them.	When people are asking for advice the "CE" has kept me abreast of things that are not a part of our daily routine. It keeps me fresh.	By providing the informational framework from which to operate on an ethical basis.
16	I'll say it this way, all my clients are friends but not all my friends are clients. My clients are all very good friends.	If you take care of the client all good things will follow. I've lived for 40 years on referrals. Clients' needs come first.	That's actually a big problem. I tend to only deal with clients I like. I do more for some that's not financially justified. I don't deal with clients I don't like, while doing more for some than I should.	My friends are my clients and my clients are my friends. If you were to look over my client list you'd see a lot of personal relationships there.	My thing is that without these individuals I wouldn't have my practice. So I don't separate them. I get very attached to these people.	You learn so much about them in the planning process, their goals and dreams. You become friends and you look at them differently rather than as just a transaction.	I probably don't do a very good job of seeing them as assets of the business. If I do the right things for the client things will go well for me.	That's easy. You get to know them, their families, and what they do and where they go on vacation.	Most of my clients are also very good friends. We've hosted dinners for them at my house, individually, not as a group.	We build our business on relationships. It's key to our business building model. It's easy because it's part of our model.	I genuinely care for people. I do my best to look after my clients because of the moral obligation that I have.

Question	Advisor 1	Advisor 2	Advisor 3	Advisor 4	Advisor 5	Advisor 6	Advisor 7	Advisor 8	Advisor 9	Advisor 10	Advisor 11
17	If anything 2008 helped me in the eyes of my client because I was in the mode that year of managing expectations. It was educational for the clients and it was helpful for me.	Well I would say it's hard not to view the industry more negatively, especially because of the investment bankers.	I've become much more conservative and less likely to do things I think are marginal. You just don't always know where the line is. I'm less likely to believe a company's sales line than I have been in the past.	Negatively. A lot of what I have to do today is a result of manmade greed. I didn't know how bad it was until after the shoe fell.	My mind was just boggled by the greed and how they can affect so many millions of people. Just disgust.	You've got to keep your guard up and look at what's being promoted, and analyze the validity of the investment. Does it pass the litmus test as being a good value for my clients?	It doesn't. Those things happen but you have to deal with what you can control. I try to bring these events down to its effect on portfolios.	It was an eye opener to me because the regulators didn't ferret those guys out. They just didn't catch them	I've known for a while that we work in a sleazy industry so I wasn't shocked. But I was surprised at some of the people who were sleazier than I thought.	It has a big impact on us. It takes away confidence. We have to do more due diligence to verify information and research. Trust but verify.	It was a devastating time. Clients have been through the ringer. I have as well.
18	41 years.	36 years.	Since 1981, 30 years.	14 years.	14 years.	12 years.	25 years.	30 years.	15 years.	18 years.	28 years.

Question	Advisor 1	Advisor 2	Advisor 3	Advisor 4	Advisor 5	Advisor 6	Advisor 7	Advisor 8	Advisor 9	Advisor 10	Advisor 11
19	It was 1967. I had a pregnant, young wife, Vietnam was hotter than a firecracker and I was One A. You couldn't get a job with that draft status. The only companies that would hire me was a car dealership on full commission or an insurance company with a training program and a salary. I said "I'm yours."	I was 24, I heard a good presentation, and believed I could make a lot of money with that company. And I did.	Purely by accident. I was between jobs and attended seminar. It seemed like interesting work.	Going back to 23 years old, I got tired of what I was doing and didn't see a future. I looked to my life insurance agent and he had me come and work for him for 9 years until I took over his business.	Actually, I was working for an investment management firm and I didn't want to be a manager anymore. I went and got my licenses.	I did a financial plan with an advisor and started asking some questions and started to pursue the idea of making a change.	I was in social services and was going to save the world. I wanted to make money and realized I would never make money there. I looked at industries that I thought I could make money in.	I started investing when I was 20 and had always been interested in investing. I started reading about the industry and I decided to do it.	It was my major in college and I like business. I eliminated accounting, marketing and others. This was what was left.	My Father was in the business and he was very successful.	I had done fundraising and spent time with the affluent. I believed I could approach the financial services industry from a service oriented perspective and enjoy what I was doing.
20	-----	My only gripe in the industry is FINRA working without common sense because of the Madoff situation, etc.	I would like to think that people would like to do the right thing. If they need to be made to do the right thing then that works too. It reflects well on all of us.	I can tell you this. I feel like I'm in a high risk business because of compliance and our national debt.	No, I don't think so. If you're going to be in this industry you're going to need to know what you're doing and why you're doing it.	I'd add that I look at helping clients in a way that's best for them and keeping them out of trouble. The old buy, diversify and hold is no longer valid.	When I read about advisors who have been sued for bizarre things I'm amazed that anyone would do it. That's the frustration, if you will.	Yeah, I can't even imagine having a greater career. It's been a great life, even with all the frustrations.	Not that I can think of.	I really love what I do. I love helping people. I like being a place for people to go with confidence.	For "CE:" to put more of the human element, practical, situational combined with ethics.

Firm #3

CE is well structured with good graphics. There is no presenter; topic windows simply appear. There are 9 key themes, which represent ethics, regulatory guidelines, and compliance issues. They are covered over a 50-slide format. The material is very straightforward and boring. It is interactive within the limited context of topic selection.

Table 3: Firm #3 Advisor Responses

Question	Advisor 1	Advisor 2	Advisor 3	Advisor 4	Advisor 5	Advisor 6	Advisor 7	Advisor 8	Advisor 9	Advisor 10
1	Late February, about 6 weeks ago.	January 2011.	February 2011.	November 2010.	January 2011.	January 2011.	February 2011.	Now, I started my CE for year yesterday.	December 2010.	December 2010.
2	On the computer.	On line in my office.	Right here at my desk.	In my office.	Right here at my work station.	On my computer.	The system in my office.	Right here on the computer.	Online, here.	In my office.
3	To keep us compliant with current regulatory requirements and changes in the industry.	To cover the firms butt legally.	To educate on current policies and the rules.	Market and industry awareness and firm regulations.	To keep us up to speed from an industry knowledge and regulatory standpoint.	To standardize training across the firm.	To meet regulatory requirements.	Cover the firm's ass.	To make sure we're up to date on changes in the industry. Education.	To stay abreast on changes in the industry.
4	Yes, it was a combination of audio and video.	Yes. Given by a company.	Yes, however if a message can be conveyed in 5 minutes it shouldn't take 25 minutes just to satisfy a requirement.	Yes, by actors.	It was ok. I don't know who the presenters were.	It's geared to the lowest common denominator. I don't know who the presenters were.	No. Clunky, more of a comedy.	They are standardized with all the information that the firm wants us to have. The ethics portion is common sense.	Yeah, I think so.	No.
5	Commodities trading regulations and annuities for seniors and a broad ethics overview.	Sexual harassment, confidentiality and random compliance policies.	Cross over banking rules and regulations.	Anti-money laundering, annuities slaes to seniors, retirement plans and mutual funds.	Money laundering, suitability, annuities.	Ethics, money laundering, banking, confidentiality.	Treat everyone equal and sexual harassment. Don't do it and don't encourage it.	Yesterday's theme was regulations.	Special needs, trust accounts for the disabled.	None.
6	Generally the themes were very important.	Sure.	Yes, it makes my job easier if I know the rules.	Yes.	No, not important to me. They aren't issues that I deal with.	No.	No.	Sure.	Yes.	No.

Question	Advisor 1	Advisor 2	Advisor 3	Advisor 4	Advisor 5	Advisor 6	Advisor 7	Advisor 8	Advisor 9	Advisor 10
7	The ethical component I definitely agreed with.	I agreed with most of them.	I don't have to agree with the rules. I just have to follow them.	Money laundering and selling to seniors are real life issues to me.	I think they were pretty accurate.	It's golden rule knowledge.	I agree that people should be treated fairly.	It was about fact and less about agreeing.	Yes.	I agreed with some of it at the time, the ways to treat people.
8	The insurance portion was very poorly done, not very realistic.	Some of it was eye-rolling stuff because people know how to behave.	No, I don't need to take up that fight.	A lot of it is not relevant, not applicable.	I disagreed with some of the quiz answers.	They treat us like we're stupid, juvenile scenarios.	None.	No, it's what the law is.	No.	Probably.
9	It doesn't.	I guess sometimes you might be reminded of a policy you forgot but CE affects my business very minimally.	It doesn't.	I'm not sure that it does.	It doesn't really affect our business.	It doesn't affect my business practice at all. It's just something to get off my to-do list.	I t constrains it because of the time involved.	It does not.	I think there's too much of it and it's too time consuming. So it affects me by preventing me from doing my job.	For the most part it really doesn't.
10	Yeah. Sometimes a gift may exceed limits by a very slight amount.	Sure. Little things.	No I don't.	No. It's so regimented that I sometimes wonder how people get into trouble.	Not that I can think of.	Yes. I have picked up checks from an important client in violation of firm policy. Twice a year.	Yes, I have let CE run with the sound off, and clicked when necessary, without paying attention.	No, it's all common sense.	No.	Sure. A client missed our lunch appointment and I still expensed it as a client lunch.
11	Treating others how they deserve to be treated.	I'm a Christian. So my moral compass is guided by my religion.	Our moral character presented to clients should never be violated. That's something that can never be replaced.	I manage assets for clients the way I would manage assets for my family.	Always do the right thing regardless of whether someone's looking or not.	Golden rule, do the right thing.	Do what's right.	Do what you'd want done with your grandmother.	Doing right by my clients.	Do the right thing by everyone.

Question	Advisor 1	Advisor 2	Advisor 3	Advisor 4	Advisor 5	Advisor 6	Advisor 7	Advisor 8	Advisor 9	Advisor 10
12	To always act in their best interests regardless of my interests.	To give them the most accurate and honest advice for their situation.	To do the best job I can for them and to honor the obligations of their trust.	Responsiveness, honesty, integrity.	Our obligation is to adequately understand what they're trying to accomplish and then advise them on the best means to accomplish it.	To do the right thing, the best thing for the client.	To provide them the best advice I honestly can, as ethically as possible.	To educate, filter, protect and provide.	To make sure that their monies are invested consistent with their goals and risk tolerance, and that's a well-diversified portfolio.	To always put the clients best interests ahead of my own.
13	Very easy.	It's easy to be straight with them.	Very.	Very easy.	It's easy to meet it.	Simple.	Pretty easy.	It's hard.	It's easy.	Sure.
14	The industry pressures which are greatest at the early part of a career.	Client misunderstanding and ignorance.	I don't have any other than poor communication on the client's part.	The products that pay the most and meet company goals aren't always the best thing for the client.	It's more work and doesn't pay as much.	Keeping the client from doing stupid stuff.	Regulations slow the process down.	Outside influences.	I have a tendency to be more aggressive than my clients need me to be. So it's more me needing to be more conservative.	I can't think of any.
15	In its current form it doesn't.	They don't.	It helps me explain regulations within the industry to clients.	It educates and informs us to the level needed to be aware of market trends.	It doesn't.	It doesn't at all.	It tends to make you aware of rules and regulations that you might not be aware of.	It doesn't.	By making sure we're up to speed on the regulations.	It doesn't.
16	Because I'm willing to let the business go out of business if we can't do what's right for the client.	When you get to know them you see them as people.	As a financial planner the greatest gift I'm giving is helping people meet their goals.	I can pick and choose who I would like to work with. Most of my clients are friends.	It's something that I just naturally do. If you look at them as just an asset as some point you'll have an ethical conflict.	That's never been an issue. They are always individuals.	I don't because assets of my business get my attention.	I don't see them as assets of my business. Most of my clients are part of multi-generational groups and I see myself as the investment officer of their family.	I have relationships with clients.	It's the person I'm trying to help. The revenue is a by-product.

Question	Advisor 1	Advisor 2	Advisor 3	Advisor 4	Advisor 5	Advisor 6	Advisor 7	Advisor 8	Advisor 9	Advisor 10
17	I believe the way compensation is structured is completely adverse to the needs of the end user. It actually makes me ill. Making huge sums of money in a single year at the expense of clients and shareholders.	A lot. I realized that things were much less stable than I had previously thought.	I realized that most advisors are just salesmen and don't really understand the products and industry.	I don't think it affected me. I think it hardened clients.	Me personally, it's highlighted or added credibility to the integrity of my reputation. It makes me more cynical.	I was detached from the industry and my clients were not harmed. I no longer trust corporate America.	I didn't going in and I don't trust is coming out.	It didn't change because I had seen the dot-com implosion of 2000.	The industry is always market driven and if you're cognizant of that you know when things look too rosy, you know that's when to be fearful.	The industry is intense. It's just as hard today as it was then.
18	11 years.	6 years.	13 years.	6 years.	11 years.	23 years.	13 years.	14 years.	27 years.	8 years.
19	Luck actually. A friend made an introduction and I was fascinated.	My father convinced me to come and work for him.	I needed a job and it intrigued me.	A mentor and friend suggested my skill sets would work well in financial services.	The opportunity was presented and I liked the economics and finance world. It offered better financial compensation and lifestyle than I had before.	I had a finance background and a headhunter had suggested I apply to work as an account executive.	Dumb luck. College placement told me of an investment company that was hiring. I was just out of the military and there weren't any openings for people willing to close with and kill the enemy.	I had an internship with an investment firm during college and never left.	I like money and I like giving advice. It's the perfect job.	A friend got me an interview with a brokerage firm.
20	It's too bad there isn't a way for the industry to shrink the gray area of ethics and make things more black and white.	No.	-----	-----	-----	Management from 2008 should have been watching their own CE ethics courses.	-----	No.	My obligation is to educate and motivate my clients.	No.

Firm #4

CE is well organized with good graphics. There is no presenter. The topics are both regulatory and product specific. They are outlined in great detail. The material is offered online and can be accessed at each financial advisor's desk.

Table 4: Firm #4 Advisor Responses

Question	Advisor 1	Advisor 2	Advisor 3	Advisor 4	Advisor 5	Advisor 6	Advisor 7	Advisor 8	Advisor 9	Advisor 10
1	January 2011.	October 2010.	February 2011.	February 2011.	January 2011.	February 2011.	December 2010.	In doing it right now. I started at 8:00AM this morning.	December 2010.	February 2011.
2	Online here in my office.	Here, off the computer.	Here in the office.	Here at my desk on my computer.	Right here in this office on this computer.	Right on line, right here.	I'm sure right here in the office.	Online at my desk.	Here online.	Online in house, my desk.
3	Review of basic industry concepts in terms of do's and don'ts. To benefit the public and protect the firm.	To bring people who have been licensed for a while up to snuff. The firm, the broker and the firm providing CE all benefit.	Compliance.	Making sure that I'm aware of company policies.	To keep me up to speed on rules and regulations in the industry.	To keep me updated on rules and regulations. Keep us informed on what to watch out for.	The firm making sure they can cover their ass to the regulators.	It's to keep up with current legislation and apply them to today's world.	To keep you informed and educated under the rules of your profession.	Education and compliance, firm cya.
4	Yes. I don't know who the teacher was.	Yeah. An outside program.	Yes. It was just a step-by-step process.	Yes. Made up by the company, I guess.	Yes. By the firm I guess. Simply a point and click.	Yes. I don't remember.	Yes, but there's no person on it.	Yes. I don't know who's presenting it. It's firm sponsored.	Yes. The firm put it together.	Yes. It was a video tutorial.
5	Money laundering, suspicious activity.	Money laundering and regulatory issues.	Older investors, seniors, annuities.	Ethics, policies regarding confidentiality, annuities.	Ethics, senior suitability.	Money laundering, annuities, ethics, senior suitability.	Money laundering, ethics.	Product transparency, covering yourself and lastly would be a greater understanding of the investment product for the client.	Ethics, insurance, accountability and know your client.	Money laundering.
6	Yes.	No.	Yes.	About half of it was.	Yes, but you don't really get anything out of it.	Sure, good reminders.	Oh they're important but I already knew. They didn't need to tell me again.	I'd say yeah.	Yes.	Not really, very redundant.

Question	Advisor 1	Advisor 2	Advisor 3	Advisor 4	Advisor 5	Advisor 6	Advisor 7	Advisor 8	Advisor 9	Advisor 10
7	The need for me to be diligent regarding suspicious activity to protect myself.	Sure, you shouldn't launder money.	Essentially all of it.	I agreed with the confidentiality part.	I agree with the ethics and how you should present things to clients.	Pretty much everything.	I agreed with all of it. It is the law.	I think that investment advisors should know what they're selling.	All of them.	Most of it.
8	None, other than the minutia. They took it to a very basic level.	Not enough emphasis on my day to day issues.	Didn't really disagree with any.	None.	None.	Nothing specific.	None.	I don't like the length of time it takes.	It seemed time consuming for what one should know, being in this profession.	I didn't disagree with any of it.
9	It doesn't. Either you're ethical or you're not.	It has very little effect on it.	It acts as guidance and provides information.	It reminds me of what procedures I should follow and re-enforces what I know is right.	It attempts to keep me in the loop on changes in rules and regulations.	It probably doesn't affect mine.	It reminds me to do things the way I've been doing them.	I feel we're more knowledgeable when it comes to new trends.	It doesn't.	Not at all other than re-enforcing firm policies.
10	Yes, I've dated paperwork after clients have signed and left my office.	No, I don't think I have, not knowingly.	Yeah.	I find policies and forms here are stricter than at my previous firm. It's very frustrating.	I'm sure I have but I can't think of an example. I've got one. I've had clients e-mail me an order, which is in violation of firm policy.	Not that I can think of	No.	Honestly, it's not worth my licensing to bend the rules.	No.	Sure, dinners expensed inappropriately.
11	Ethics are black and white. It's either the right thing to do or it's the wrong thing. You have a choice.	At the end of the day I want to feel like I've done the right thing for the client. I can sleep.	Pretty much black and white. I like to treat my clients like I'd like to be treated.	I treat people like I wanted to be treated myself, with honesty and fairness.	I do things, business or personal, as if everyone is watching me.	Treat other people like I would want to be treated.	I always tell the truth.	Do unto others as you would have them do unto you would have them do unto you.	God first, family second, job third.	Be honest and faithful and do the best that can be expected.

Question	Advisor 1	Advisor 2	Advisor 3	Advisor 4	Advisor 5	Advisor 6	Advisor 7	Advisor 8	Advisor 9	Advisor 10
12	My job is to help the client make an intelligent decision about their money with all known available information.	I'm a steward of their money.	To be transparent and to work in their best interest.	It's basically to be straight forward and honest with information revealing costs of the investment and fully disclose everything up front.	To be 100% trustworthy and explain everything to them and understand their goals and risk tolerance. Then match up their investments to meet those criteria.	I'm obligated to listen and find out their goals and objectives and help them achieve that.	To listen, formulate a plan based on their objectives and to execute.	Privacy, moral ethics meaning I wouldn't put their money into something I wouldn't put my money into. To do the right thing for them all the time.	Give recommendation s for asset allocation, have service model where your in contact with clients on a frequent basis.	To be available, well rounded, to be fair and honest.
13	You have to work at it.	It's easy, but it's something you've got to pay attention.	For me it's easy.	Very easy.	It's not hard to do.	I've me that fairly easily.	Very easy.	Very.	It's easy.	Very easy, it's natural.
14	Client intelligence, firm production expectations, economic dynamics.	The products being offered aren't always what they appear to be. So you have to do your due diligence.	Educating the client.	Clients objecting to the facts or fees.	With lots of clients it can be difficult to do that for each client.	External things like the stock market and things that come up. Keeping people from doing something stupid.	Our business is counter-intuitive. Trying to get them to not do foolish things during volatile times.	Compliance paperwork.	Paperwork within the industry.	Sometimes clients don't hear what they want to hear.
15	No.	I don't need CE to understand it.	It provides clarity.	It doesn't.	For the most part CE takes away time for me to meet that obligation.	I can't honestly make a connection between the two.	The CE does force you to remember the things that can go wrong.	CE helps to define the ways we can transact business.	I can't say it does.	Hardly at all.
16	I don't think you do. By treating them as individuals the result will be residual income for my business.	As assets of the business is secondary to them as individuals. They have financial needs.	I'm not sure that I separate that. Most of my clients are friends.	Because all individuals needs are different.	I have a personal relationship with almost all of my clients. So it's not hard for me to do that.	I like to build relationships so my clients become friends.	I get to know them very well. I know their kids, everything.	I dig deeper into the relationship beyond just investments.	By building relationships.	By doing less traditional transactional business, and to focus on suitability.

Question	Advisor 1	Advisor 2	Advisor 3	Advisor 4	Advisor 5	Advisor 6	Advisor 7	Advisor 8	Advisor 9	Advisor 10
17	I changed firms, and I had never intended to do that. I left because I felt we had been misled.	When large companies put out a buy recommendation it's because they have a large position to sell. They don't care about the retail sector.	Tremendously. I'm not nearly as proud of the financial services industry now as I was prior to that.	There was nothing I could do about it. Management told us what to do ethically but didn't do it themselves.	I'm having to defend our industry to clients a lot more than ever before.	I was pretty disillusioned, which is why I changed firms. It was an eye opener.	Fannie Mae was stupidly loose at the top and overly tight at the bottom. Now people don't trust us.	I think it reflects negatively on the industry in the public's eyes. People don't feel safe, as much as they used to, with their investment advisors.	It makes me suspect. You distrust Wall St. That's the perception of the client and the advisors.	More cautious, cynical, realistic and pessimistic. On the plus side more opportunistic.
18	17 years.	13 years.	30 years.	27 years.	12 years.	28 years.	31 years.	9 years.	34 years.	25 years.
19	I took my MBA and was fascinated with finance.	Urged to join a family member in the business.	The financial opportunity and an interest in the financial market.	A bunch of my friends mentioned it to me and set me up with an interview.	I always liked following stocks and was an economics major in college. I got an internship and joined the company after graduation.	My dad bought me some stocks when I was little and I followed up on my interest.	Unlimited upside with no capital.	Because I didn't like the idea of running restaurants forever.	I worked for a company and the stock split 3 times in 2 years. So I wanted to know about stocks.	I majored in criminal justice and decided I wanted to do anything else but that field.
20	I think the challenge for financial advisors is how to differentiate yourself based on your ethics.	I see a metamorphosis in the business. The transactional is dying. Prepackaged stuff is growing and that's going to be a problem.	The biggest paradigm I've seen is what took place in 2008. We were all lied to and management let it happen.	No.	You realize how many people are being guided. How many people really need financial help.	It's been a great job. Every day is something different.	I've seen unbelievable change in our ethics nationally.	-----	The best thing our industry could have is to remember that if you always tell the truth you never have to remember what you said. Put the client first.	I don't think so. One thing I will say is that the regulatory pendulum has swung too far in this industry.

Data Profile

My initial impressions of the data are as follows. First, the firms I visited are different enough in size and style to offer a reasonable representation of the financial services industry. Second, the advisors interviewed averaged 19.8 years of industry experience, providing an informed basis for their responses. Finally, they had all taken “CE” within the previous 4 months keeping that specific experience somewhat current while also requiring some level of recall. In the next chapter I will engage in a detailed analysis of the data I have presented here.

CHAPTER FOUR: CONCLUSIONS, RESULTS, AND ANALYSIS

Our individual ethics represent who we are and communication is how we express it. This research on "CE" provides the opportunity to observe where ethics and communication intersect in the financial services industry and to try to understand what it means.

Retirement has become a self-funded goal. For people without financial expertise, professional guidance is a necessity. The Financial Services industry has serious flaws which have contributed to a severe reduction in investor confidence. They have offered Continuing Education (CE) as a solution. My goal was to conduct an evaluative examination of that Continuing Education, and the Financial Advisors who are required to use it, providing a greater understanding of the source of those flaws. Since this is the only protection the Financial Services industry currently provides us we need to assess its value. The concern is that if the problem does not lie with the quality of the "CE" message or the integrity of the financial advisors, then it may be structural and systemic.

Social constructionists recognize that no matter how much data one collects and examines it is not possible to collect and examine it all. However, my data does provide some clear answers to questions about the quality of the "CE" message, the ethical obligations that financial advisors perceive, and the influence of the former upon the latter.

With the demise of traditional retirement and the financial inexperience of most people, a reliance on financial advisors becomes a critical factor in planning for retirement. Living longer makes the problem worse. This forces us to think about retirement differently. A working retirement is going to be the "new normal." For the baby boomer generation it will be all they ever experience. However, they will still need expert financial advice and "CE" may be the only form of quality assurance that they will be offered.

An indication of how important this is exists in the data obtained before the research even began. Of the three branch managers committed months earlier to permitting interviews, two of them suddenly withdrew when I called to schedule my week to visit their office. They could not, or at least would not, provide an explanation for their reversal. I pressed them and asked specifically what part of a discussion on ethical business behavior they found objectionable. What was making them nervous? They offered no response other than to reference vague instructions from their respective home offices. Neither of them would even consider changing their decision and both were quite uncomfortable with the conversation. Their nervous voices and evasive manner made it seem that "CE" and a dialogue about perceived ethical obligations were sensitive issues.

As their interest in hiding and concealing continued, my interest in exposing and examining increased. I still needed to replace the firms I had lost so I contacted an additional nine firms. One firm accepted immediately and two others replied at almost the exact same time. I accepted all of their invitations and increased the research plan from three to four firms and thirty to forty financial advisor interviews.

It often seems that in a financial services office environment the younger advisors and managers are the more earnest and well-intentioned employees than the older and possibly too experienced senior employees. But that is not what I found. The data before the actual research showed that it was the younger branch managers who were quite uncomfortable with a review of the influence of "CE" on financial advisor obligations. The senior, and more experienced, branch managers had no such concerns. They welcomed the idea. One branch manager knew that I had encountered some scheduling difficulty. He casually remarked that whenever someone invokes the Fifth Amendment he believes him or her to be guilty of something, and felt the same about industry colleagues who were afraid of scrutiny or management. He had nothing to hide and they should not either. Other branch managers were also suspicious of anyone avoiding my request. It was the first obvious sign of dramatically different attitudes from firm to firm and systemic problems in the industry.

I had lost two out of the three original firms and was declined by six of the nine firms I subsequently contacted. All declines were from younger (under forty-five) branch managers while all the acceptances had come from those who were older than that. Younger branch managers outnumber older ones by a 2:1 margin. It was a small sample, but they seemed more concerned with what their home office management might say or do than the older branch managers who were quite comfortable with just doing what they thought was right.

It seemed that senior management at home offices preferred younger, more easily controlled branch managers and the problems I encountered with cancelations and declinations over my "CE" research might be an example of how it worked. It was the first sign of the bad barrel, the broken system, which might be making the bad apples. Zimbardo had shown that good students from a top school, Stanford, could be placed in a bad environment and easily corrupted. His emphasis on separating the cause of the problem from the result was a point well taken.

The research in the branch offices began with the evaluation of each firm's "CE" modules. Firms #1, #3, and #4 had very similar material. There was no actual presenter. Each program simply started with some basic online operating instructions and then began with text. There were sophisticated graphics and the lessons were well presented, but there was no interactive aspect to it. Firm #2 was the exception. I had observed and participated years ago in their "CE." It was offered live and consisted of multiple speakers with impressive credentials and excellent presentation skills. As in the Jones, Sinclair and Courneya experiment on source credibility, the advisors at Firm #2 had fewer negative thoughts than the advisors at the other firms. In addition, their "CE" training seemed to have a greater impact on their actions afterwards than the advisors at the other firms, showing that source credibility should be an important factor to consider.

The "CE" for Firms #1, #3, and #4 was provided online and accessed by the advisor at his or her desk, usually during business hours. Incoming phone calls, unexpected client visits, and co-workers just stopping by provided varying amounts of interference. In a busy financial office environment it is likely that few, if any, were ever completed without some form of interruption. Again, Firm #2, with a large in-house meeting room, was the exception. Attendance by advisors was mandatory, cell phones were turned off, and interruptions were eliminated. The focus on "CE" was much stronger.

The "CE" topics covered for Firms #1, #3, and #4 were wide ranging, from prohibitions on money laundering and insider trading to cautions on the use of social media and the need for confidentiality. The emphasis seemed to be on regulatory issues instead of investment selection or new allocation strategies. Far more time was spent on telling advisors what not to do rather than guiding them on what they should be doing. Here too, Firm #2 had a more balanced mix of subjects. There were the required regulatory reviews but also a greater number of technical updates and instructional case studies to teach the advisors techniques that would benefit their clients.

Right from the start it appeared that one firm was committed to the "CE" process as means to ensure the quality and expertise of the advice their advisors offer the public. Unfortunately, the other three firms were just going through the motions and complying merely with the letter rather than the spirit of the law. There was no real commitment to the process in the presentation or quality of the "CE."

The responses of advisors in interviews frequently matched the attitudes of their companies. After establishing with Question #1 that all respondents had taken "CE" within the past 4 months I wanted to know what they believed was the reason for "CE". So, Question #3 asks them about their understanding of the general purpose of "CE." I was looking for references to the client or the consumer or even just the public as the intended beneficiary of mandatory training. I found very little of it. Most advisors saw this as an obligation or defensive measure. It was required and they felt it was to prevent lawsuits. Even worse, many believed it was only to protect the firm from litigation. A majority saw no benefit to themselves or their clients. Not surprisingly, Firm #2 advisors had a positive view of "CE." It was surprising though that they had more than twice the number of answers suggesting "CE" was to benefit clients than the other 3 firms had combined.

The next issue to examine was distraction. The expectation was that watching "CE" on a computer at a desk, with typical office activity, would have less retention than material presented in a closed, controlled environment. That was not the case. Question #5 asked the advisors to recall topics that were covered on their last "CE" module. Firms #1, #3 and #4 had a similar number of advisors recalling several topics as Firm #2 did. They had a similar number of advisors who remembered no topics at all. Also, there was no difference in the number of regulatory topics instead of client beneficial topics that were recalled. One explanation might be that in a fast paced business setting multi-tasking has become a regular practice. Consequently the distractions caused no noticeable reduction in message processing. Here again, the system was less than perfect but the advisors were unaffected.

Question #6 identified a serious industry problem with how "CE" is designed and provided. I asked each advisor whether the topics from their last "CE" module, recalled in Question #5, had been important to them. Only half of the responses were positive and some of those were less than enthusiastic. Firm #2 had the best percentage of positive responses but still had some negative answers. The most critical element of message transmission, issue involvement, was being overlooked and ignored. The government and the individual firms were more interested in what they wanted to tell the advisors than in providing content based on what the advisors wanted or needed to know. The consequences would become obvious in some of the last few questions.

I used Question #11, requesting a personal values statement, as a starting point for ethics. They were asked for a personal values or ethics statement. Was there a guiding principle that they followed in business or in their personal life? This was an opportunity for any sleazy salesperson or weary cynic to tell me how they look out for themselves or that buyers should beware. That is not what I heard at all. On the contrary, almost every answer was a solid commitment to honesty, responsibility, and fairness. They believed themselves to be ethical people conducting themselves with integrity. Their sincerity was credible.

The single most often cited answer was the Golden Rule, which was both surprising and ironic. It was surprising because it was so pure and so sincere from a group whose motives in business might be considered suspect. It was ironic because I set out to examine advisor attitudes and performance in terms of Kantian duty-based obligations. After asking one of my first questions, I was hearing that the initial response was a maxim representing the essence of Kant's Second Formulation, which is to respect the humanity in others instead of merely using them as a means to an end. This means that the advisors were seeing the intrinsic value in their clients instead of just the instrumental value. Additionally, on this issue there was no variance from one firm to another. The consistency seemed to indicate that this quality was much more likely to be a function of who they were as people rather than where they worked as employees.

So what about their values and ethics in business? In Question #12 the advisors were asked what they believed were their obligations to their clients. A few responses were quite narrow and specific, addressing investment performance and returns. Some also mentioned emotional support and comfort. Most, however, were far broader, referencing concepts such as honesty, fairness, stewardship, and service. There were also responses involving technical issues such as market volatility and providing clients with protection in a declining market. Either way, narrow or broad, it was about doing their best and giving their all. They recognized their responsibilities and were taking them very seriously. There was nothing mentioned about their own interests. Very simply, the clients always come first. It was clear that they were actually treating clients as they would like to be treated. I clearly and consistently heard a very Kantian, duty-based perspective of their responsibilities as advisors. Regardless of the quality of their firm's "CE", with no discernable difference among firms, they truly understood their obligations.

This was supported by Question #10 with responses that surprised me. I asked about any intentional violations of regulatory guidelines despite "CE" notifications and expected to hear about shortcuts for their convenience or increased revenue. That was not the case. Most advisors indicated that they had never broken any firm rules, but the majority of those that did had done so on their client's behalf. In direct violation of established company policies they picked up checks, held checks overnight, post-dated signatures, shortened paperwork, accepted trading instructions by e-mail, and purchased gifts in excess of established limits. They were willing to risk dismissal, and their careers, for the benefit of their clients. I was pleasantly surprised by examples of altruism and commitment. These advisors knew their obligations and were willing to act accordingly. Again the answers were consistent across all 4 of the firms involved.

Although asked at the end of the interview, Questions #18 and #19 were included to try to understand why people choose careers in financial services. Were they greedy and money motivated or actually interested in helping people by advising them? I thought it would help me get a better understanding of where they were ethically when they began their careers. Any improvement in their ethical values could then be attributed to “CE” exposure, recognizing that there were other factors, such as maturity, which would also have played a part in their growth. If a pattern developed then Question #18, regarding years in the business, might identify whether it was an older or more recent trend. None of it mattered.

Helping people was only cited by a few interviewees as the reason they became financial advisors. Making money was given as the reason by many of them but they were not financial mercenaries. Disappointingly, approximately half of all respondents, across all firms, had simply stumbled into the industry. They attended a seminar or a friend got them an interview. Rather than having a deliberate plan, they became advisors because they could not find anything better. The number of years in the industry did not change this phenomenon. It was as true of older advisors as it was of the younger ones. I would have preferred that more of them had been committed to a profession in financial services from the start of their careers , but it made the potential value of the “CE” training seem more important.

Questions #11, #19, and to a lesser degree #18, provided a cursory profile of each advisor’s ethical composition. It was asking how they characterized, briefly, what they believed in. However, I wanted to find out how “CE” influenced them. Question #5 had asked what themes they recalled from their most recent "CE" module. Now, with Question #6, I was asking how many of those themes had been important to them. The answers highlighted a problem. Half of the advisors were not finding any value or benefit to the "CE" they were receiving. This was consistent across Firms #1, 3, and 4, with Firm #2 having a lower percentage of negative responses.

Questions #7 and #8 gave them opportunities to discuss the specific themes with which they had agreed with as well as those with which they had not agreed. The topics with which they had agreed most often were ethics and legal updates along with supervision and confidentiality regulations. They disliked the time required, the lack of relevance, the repetition, excessive compliance and being treated like children. They liked information that benefited their clients and their business and objected to those topics which they felt just wasted their time during business hours.

Question #16 is one of the most important questions that was asked throughout each interview. It goes directly to the Kantian issue of intrinsic versus instrumental value. How were they able to see clients as individuals rather than income producing assets of their business? Here the results were quite encouraging. The vast majority of responses presented very good overviews of how they deliberately get to know their clients as people before making transaction recommendations.

Most telling is that approximately one third of the responses included the word "friend" or "relationship," with Firms #2 and #4 leading the other 2 firms. The discussions between these advisors and their clients, as they go from being strangers to developing an important working relationship, are the type of ritual communication that James Carey outlined. In those back and forth exchanges they are building a relationship and in effect, they are building a small piece of society. It is their Socially Created Reality. Carey writes, “Society is possible because of the binding forces of shared information circulating in an organic system” (Carey, 6). It is through this sharing that we build our society and create our shared reality. Client relationships are just another example of this. They are one of the many ways we can make sense of things by connecting with one another. The back and forth exchanges are a reflection of how we affect each other and are affected in return. Not coincidently, as clients and advisors get to know each other better their chance of success increases.

Questions #17 and #20 were a final opportunity for each advisor to talk about their reaction to all of the scandalous financial services industry activity in 2008 and any other related issues on their minds. Regardless of the quality of their firm’s “CE”, most of the advisors had a good sense of morality and fairness. They were disgusted by the ethical lapses that they had seen in 2008. Badly designed products and negligent rating agencies had contributed to massive client losses. They felt it was all about greed. Management had lied to them and had failed to live up to the ethical standards that were set for the advisors.

As a result they had been publicly tarred by the actions of the unethical home office management who designed the flawed products and hired the negligent rating agencies. Many had lost pride in themselves and their career. Client trust and confidence had been eroded and they had to spend a lot more time defending themselves. Advisors, in their own words, were now much more leery, vigilant, cautious, and conservative. There were no discernable differences related to years in the industry or employing firms.

Everything discussed thus far led us to Questions #9 and #15, which are simply different aspects of the same issue. Question #9 asks how “CE” affects their business practices. Question #15, refers back to the perceived obligations identified in Question #12, and asks how “CE” helps the advisor meet those obligations. This is the central issue of examination. Specifically, what does “CE” accomplish in terms of influencing and improving advisor beliefs, intentions, and actions?

There were more negative responses to this question than to any other that had been asked, but only in Firms #1, #3, and #4. The advisors in Firm #2 had very few negative responses on this one. Additionally, almost all questioned had answered Question #13 positively, indicating that it was easy for most of them to meet their perceived obligations to their clients. The only problems they cited, in answering Question #14, was client inexperience and market volatility. So, all of the advisors had been clear on their own ethics and values. They understood their obligations to their clients and had little difficulty in meeting those obligations, but most could find no benefit from their “CE” toward doing so. The system was not doing well with this objective.

I had specifically asked them how “CE” helps and received many complete negatives. If I had phrased the question as a yes or no, it is probable that the results would have been even worse. There was never any question on the part of each the advisors that they had their own ethics, but that is not the purpose of “CE”. The system is not working well. What if the advisors had limited business experience? The system, Zimbardo’s bad barrel, would have been making bad apples. There was not enough protection for investors to rely upon. Fortunately, there were good apples in the bad barrel.

Finally, there was Question #20, their opportunity to pick any topic or topics. The frustration was evident. One advisor pointed out that some industries have less responsibility. A bad haircut will repair itself in 2-3 weeks, but he has to make investment recommendations that will still look good and make sense 10 years from now in a much different environment. In a rapidly changing world 10 years is a very long time.

Another advisor discussed the challenge in understanding his client's intellectual and emotional responses to money. His mother-in-law was a client and often deposited large checks in her account without a second thought. However, when daughter occasionally took $10 to pay the babysitter or borrowed some butter, she would write what she was owed on a chalkboard in the kitchen and adamantly expect repayment. When he asked her why, she explained that she never sees or touches the money she invests with him. It does not seem real to her. Cash and eggs, though, are very real to her, and so she requires that they be repaid.

Finally, there was frustration with an industry that could not, or would not, police itself. Where were the regulators? Younger advisors cited current swindlers like Bernard Madoff and Robert Stanford. Several pointed out that Madoff's thirteen year Ponzi scheme would not have been stopped by the creation of more regulations, as suggested by newspaper editorials, but rather by the simple enforcement of the regulations that already existed. Older advisors were able to cite names like Ivan Boesky and Mike Milken, swindlers from long ago. Thirty years later and nothing had changed. They were seeing the same crimes and the same lack of investor protection. None of them could understand how increasing their "CE" requirements would improve any of this.

The advisors I interviewed shared a Kantian approach to business, possessing the kind of values and ethics that were necessary to do their jobs properly. Specifically, they had a duty-based approach which guided them always to put the needs of their clients first. Any concerns that I may have had about the advisors meeting their responsibilities had been dispelled, although it is important to remember that this was a small, preliminary study. Unfortunately, those values and ethics had not been instilled or improved by “CE”. They believed in themselves and in their own ethics, but experience has repeatedly taught them to not believe in or trust the ethics of their industry or management.

So what can I conclude? What are the identified problems and what can be improved? I spent 30 years in the financial services industry including 20 years as a derivative trader. I saw the financial market turbulence coming in 2007, reflected in reduced option premiums. The volatility was beginning to scare away the professional traders and the option markets are an early indicator. I did not foresee the magnitude, scope and breadth of what we would experience in 2008. Very few people did. So what does the data tell us that will help investors weather market volatility and prepare for retirement? “CE” may only be a small cog in a vast investment industry machine, but it should provide investors some degree of increased safety. The financial services industry and government regulatory organizations just need to do a better job constructing and providing it. Most importantly, they need to insist that their advisors see clients as individuals rather than as income.

Clearly “CE” can be improved, and the quality of the message is the best place to start. Online “CE” seems less effective than live, interactive “CE,” satisfying the letter, not the spirit, of the regulatory law. Industry professionals who will command the respect and attention of those in attendance should present it. Firm #2 uses presenters of that caliber and the results are much better. Source credibility makes a big difference.

Another expected benefit of live instruction would have been the reduction of standard office interruptions and an increased ability to focus on the “CE”. Surprisingly, that was the one message component that had almost no effect on the advisors. Multi-tasking has become the norm. So instead, the value of live instruction was in the sharing and mutually contributive process. It was the concept of Socially Constructed Reality in operation, the theory working in actual practice.

Next, we should improve the content of the message itself. A chronic complaint from advisors is that the topics that the firms want to teach them are not necessarily the topics they need or want to learn. For example, money laundering is the topic recalled most often. Yet only one advisor in forty-one had ever seen any sign of money laundering activity. So why make this a focus every year? Also, common sense would help. Social Media has had explosive growth and it only makes sense to create some guidelines, but one advisor was in violation by e-mailing his Mom because she was also a client. Finally, issue involvement has to be a focus. Firm #2 created a blend of educational pro-client topics while mixing in required regulatory updates. Their advisors believed they were getting information that would help them help their clients and build their business. They had considerably less resistance to "CE" than the advisors at the other firms.

Credible sources presenting relevant material with practical applications in a live setting are the obvious answers to improving "CE". The government, the firm, the advisor, and the client will all be better served. It is what the industry needs and the public deserves.

So where does the research go from here? My goal has been an improved model for the industry to use. However, this was a preliminary study conducted in Central Florida with only four firms and forty-one advisors. It is merely a starting point. The research should be expanded to include a larger data pool, from more firms, and other areas of the country to increase the reliability of the results. Those results should then be provided to the SEC, FINRA and other regulatory organizations. At a minimum, an improved industry "CE" template should invariably include interactive education from respected instructors on a greater variety of topics. Branch management should be empowered, rather than intimidated, to make the learning experience more positive and productive for everyone. Better "CE" will mean better-trained financial advisors to help inexperienced investors plan properly for whatever form of retirement they want to pursue.

APPENDIX: UCF IRB LETTER

University of Central Florida

University of Central Florida Institutional Review Board
Office of Research & Commercialization
12201 Research Parkway, Suite 501
Orlando, Florida 32826-3246
Telephone: 407-823-2901 or 407-882-2276
www.research.ucf.edu/compliance/irb.html

Approval of Exempt Human Research

From: **UCF Institutional Review Board #1**
FWA00000351, IRB00001138

To: **Sandy C. Modell**

Date: **December 01, 2010**

Dear Researcher:

On 12/1/2010, the IRB approved the following activity as human participant research that is exempt from regulation:

Type of Review:	Exempt Determination
Project Title:	Do Security Industry Continuing Education Modules Impact The Way Financial Advisors Manage Their Ethical Obligations And Responsibilities?
Investigator:	Sandy C Modell
IRB Number:	SBE-10-07258
Funding Agency:	
Grant Title:	
Research ID:	N/A

This determination applies only to the activities described in the IRB submission and does not apply should any changes be made. If changes are made and there are questions about whether these changes affect the exempt status of the human research, please contact the IRB. When you have completed your research, please submit a Study Closure request in iRIS so that IRB records will be accurate.

In the conduct of this research, you are responsible to follow the requirements of the Investigator Manual.

On behalf of Joseph Bielitzki, DVM, UCF IRB Chair, this letter is signed by:

Signature applied by Joanne Muratori on 12/01/2010 12:04:03 PM EST

Joanne Muratori

IRB Coordinator

Page 1 of 1

LIST OF REFERENCES

Bowen, John J. and Peter Kurey. "Shattering Illusions of Loyalty." *Onwallstreet.* (2006): April 63.

Carey, James. *Chapter 1 A Cultural Approach to Communication*. Communication. (1975): 2: 1 - 22.

Cialdini, Robert. *Influence*. Boston: Allyn and Bacon, 2009. Print.

Damodaran, Aswath. *Annual Returns On Stock, T. Bonds And T. Bills: 1928 - Current.* 2011. Web. 4 June 2011.

Felton, Edward L. and Ronald R.Sims. "Teaching Business Ethics: Targeted Outputs." *Journal of Business Ethics* (2005): 60: 377-391. Web. 3 Oct. 2010.

Franklin, Mary Beth. "Factors for choosing a place for retirement." *Orlando Sentinel* 31 October 2010: G3. Print.

Frederick, Robert, ed. *A Companion To Business Ethics*. Boston: Blackwell Publishers Ltd, 1999. Print.

French, Warren. "Business Ethics Training: Face-to-face and at a Distance." *Journal of Business Ethics* (2006): 66: 117-126. Web. 3 Oct. 2010.

Jones, Gwen E and Richard N. Ottaway. "The Effectiveness of Corporate Ethics On-Site Visits for Teaching Business Ethics." *Teaching Business Ethics* (2001): 5: 141-156. Web. 3 Oct. 2010.

Hartman, Edwin M. "Reconciliation In Business Ethics: Some Advice For Aristotle." *Business Ethics Quarterly* (2008): 2 253-265. Web 3 Oct. 2010.

Henderson, Michele C, M. Gregory Oakes and Marilyn Smith. "What Plato Knew About Enron." *Journal of Business Ethics* (2009): 86: 463-471 3 Oct. 2010.

Irish, John. “France poised to pass pension system overhaul.” *Orlando Sentinel.*22 October 2010: A25. Print.

Jain, Shailendra P. and Steven S. Posavac. “Prepurchase Attribute Verifiability, Source Credibility, and Persuasion.” *Journal of Consumer Psychology* (2001): 11 (3) 169–180.

Jones, Lee W. & Robert C. Sinclair, and Kerry S. Courneya. “The Effects of Source Credibility and Message Framing on Exercise Intentions, Behaviors, and Attitudes: An Integration of the Elaboration Likelihood Model and Prospect Theory.” *Journal of Applied Social Psychology* (2003) 33 1 179–196.

“How Secure is Social Security?” *On Wall Street.* (2010): October A3.

Kant, Immanuel. *The Moral Law.* Trans. H. J. Paton. London: Hutchinson & Co, 1948. Print.

Maister, David H., Charles H. Green, and Robert M. Galford. *The Trusted Advisor*. New York: The Free Press, 2000. Print.

Marks, Ron. *Managing for Sales Results*. Scottsdale: Results Publishing, 2006. Print.

Nozick, Robert. *Anarchy, State and Utopia.* New York: Basic Books, Inc, 1974. Print.

O’Keefe, Daniel J. *Persuasion.* London: Sage Publishing, 2002. Print.

Parker, Martin, and Gordon Pearson. “Capitalism and its Regulation: A Dialogue on Business and Ethics.” *Journal of Business Ethics.* (2005): 60: 91-101.Web 3 Oct. 2010.

Robertson, Michael, Kirsty Morris, and Garry Walter. “Overview of Psychiatric Ethics V: Utilitarianism and the Ethics of Duty.” Australasian Psychiatry. (2007): 15 402-409.

Schnebel, Eberhard, and Margo A. Bienert. “Implementing Ethics in Business Organizations.” *Journal of Business Ethics* (2004): 53 203-211. Web 3 Oct. 2010

Searle, John R. *The Construction of Social Reality.* New York, NY: The Free Press. 1995. Print.

Sullivan, John. "Our Worst Enemy." *Investment Advisor.* (2010): November 14

U.S. Dept. of Labor. *Private Pension Plan Bulletin Historical Tables And Graphs.* 2008. Web. 4 June 2011.

Xu, Jiaquan. "Deaths: Final Data for 2007." *National Vital Statistics Reports.* (2010): 58 19. 26-27. Web 29 November 2010.

Zimbardo, Philip. *The Lucifer Effect*. New York: Random House, 2008. Print.