Investments & Wealth Institute and a Higher Standard for Advisors

By Devin Ekberg, CFA®

The new Department of Labor (DOL) fiduciary rules for investment and wealth advisors shouldn’t surprise Investments & Wealth Institute™ members, CIMA® professionals, or CPWA® professionals—they’re already using them.

Investments & Wealth Institute’s Code of Professional Responsibility (Code) originated in the field of institutional investment consulting, where fiduciary standards were in place long ago (see sidebar). Simply put, the Code means acting in the best interest of the client, being completely transparent, and maintaining the highest level of ethics. Today’s investors, whether institutional or otherwise, demand the same. Advisors who don’t comply with the higher best-interest standards will simply be left behind.

As the industry prepares for the eventual adoption of DOL’s final rule, in whatever form it may be, Institute members are instrumental in helping the advisory industry adjust to the new standard.

The Code is constructed around a core of values: integrity, loyalty, objectivity, and ethical conduct. As a result of incorporating these principles, and aligning their actions accordingly, Institute professionals build trust and foster accountability as they act in the best interest of their clients.

Investments & Wealth Institute members are required to adhere to the following principles:

1. Act in the best interest of the client.
2. Disclose services to be offered and provided, related charges, and compensation.
3. Disclose the existence of actual, potential, and/or perceived conflicts of interest and relevant financial relationships, direct and/or indirect. Take appropriate action to resolve or manage any such conflicts.
4. Provide clients information needed to make informed decisions.
5. Respond to client inquiries and instructions appropriately, promptly, completely, and truthfully.
6. Maintain confidentiality of client information, however acquired, consistent with legal and regulatory requirements and firm policies.
7. Provide competent service by truthful representation of competency, maintenance and/or development of professional capabilities, and, when appropriate, the recommendation of other professionals.
8. Comply with legal and regulatory requirements related to one’s practice of his or her profession.
9. Maintain a high level of ethical conduct.

The key to the Code, or any other ethical code for that matter, is aligning the advisor’s (or the advisor’s firm’s) procedures to be in compliance with the code. It’s no surprise in the financial industry that many conflicts of interest arise when advising clients. Advisors who thoughtfully develop procedures to minimize conflicts—and then adhere to them—typically can avoid the potentially negative outcomes of DOL enforcement of fiduciary laws.

Adhering to higher standards is no longer a theoretical exercise, it is a practical one. Investments & Wealth Institute is proud of its history in the real-world, practical application of its ethical code and welcomes the industry’s wider adoption.

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