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An Overlooked Value of Voluntary Certification: Trust

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INVESTMENTS & WEALTH INSTITUTE[®]

AN OVERLOOKED VALUE OF VOLUNTARY CERTIFICATION

Trust

By Devin Ekberg, CIMA®, CPWA®, CFA®

It feels odd to refer to trust as an overlooked value of financial industry certifications. For most certifications, including those administered by the Investments & Wealth Institute, ethics is literally the first chapter of the book.¹ Trustworthiness as a core expectation remains consistently high in client research from one year to the next.² Regulatory trends point unmistakably in the direction of advisors and consultants as fiduciaries who act in the best interests of their clients.³

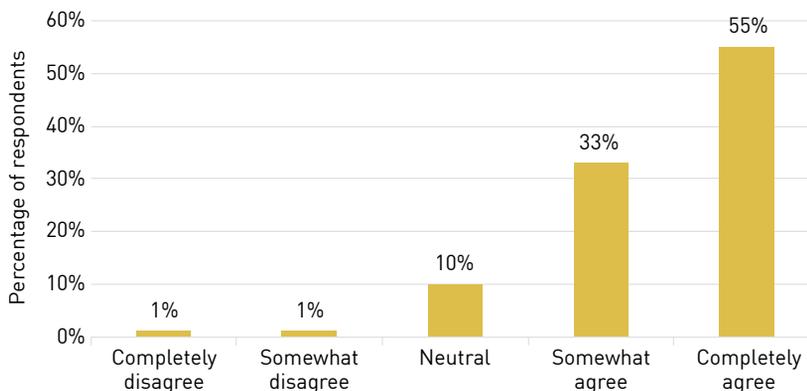
With so much attention on trust, how then can it be overlooked? I suggest it's because too few people can define trust in certain terms, but they claim to be able to recognize it when it's present. Trust, however, is definable, which is essential if one wants to influence the level of trust in a relationship.

Trust is the combination of two judgments we make about another person—competency and character. It is framed too often only in one dynamic or the other, but rarely in both. Whenever a risky decision is to be made, such as selecting an advisor, both of those judgments must be considered. Both the investor and the advisor benefit from understanding how trust works. Advisors who can communicate effectively to clients in terms of both competency and character have a significant opportunity to distinguish themselves, and certifications can play a bigger role in clients' minds than you may think.

Figure 1

PROFESSIONAL DESIGNATIONS DEMONSTRATE TECHNICAL EXPERTISE

Q: Tell us to what extent do you agree or disagree with the following statement: "The designations held by my advisors are an important way to demonstrate his/her technical expertise."



Source: "2020 Investor Research," Investments & Wealth Institute

DEMONSTRATING COMPETENCY THROUGH CERTIFICATIONS

In a 2020 study of high-net-worth (HNW) investors, the advisor's knowledge, skills, and capabilities were a foundational aspect of the client relationship.⁴ Although expertise can be difficult to demonstrate in general, the role of professional designations is clear. Eighty-eight percent of respondents indicated that the designations held by their advisors were an important way to demonstrate technical expertise (see figure 1).

More specifically, the respondents viewed professional designations as evidence that advisors can deliver a broader range of services and that they possess

deeper technical expertise. As a result, 55 percent of respondents indicated it was important for an advisor to hold more than one designation. Particularly for HNW investors, whose financial needs tend to be more complex and specialized, advisors' credentials can be the difference between retaining a client or not (see figure 2).

Designations are clearly important for potential clients, but there is room for improvement for advisors when communicating their value. Investors typically are not able to name or distinguish an advisor's designations on an unaided basis, but the research is clear—they want to know. Clients want to know how the knowledge, skills, and

capabilities their advisors learned while earning the designation will help deliver the value they're seeking. Advisors who learn to effectively communicate their expertise are more able to develop clients' trust.

DEMONSTRATING CHARACTER THROUGH CERTIFICATIONS

When developing trust with a potential client, demonstrating technical competence is only one ingredient in the process. The other element is the client's judgment of your character, which the individual can do only by trying to gauge your intentions.

It might seem counterintuitive that intentions are examined so heavily, given that the client's success toward financial goals ultimately relies on your technical performance. But it's logical, due to the risk involved in the decision, to question whether you have your clients' best interests at heart. If that's not the case, trust will never be established.

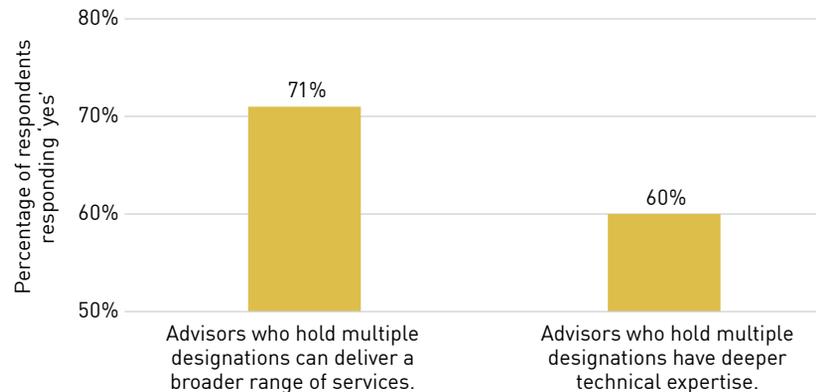
In addition to being rated as one of the most important aspects of an advisory relationship, ethics also has emerged as a critical aspect of voluntarily attaining or maintaining professional designations. There's clearly a preference for certifications done the right way (see table 1). That is, certifications are most meaningful when the voluntary ethical standards are rigorous, have severe consequences if they're not met, and must be maintained through ongoing participation (i.e., annual continuing education).

In the same way that patients trust a doctor's intentions because of the Hippocratic oath and other ethical standards for medical practitioners, clients trust an advisor's intentions when voluntary ethical standards apply to their relationships. But your clients need to know about your certification and that you adhere to such standards, so discuss it with them frequently and in easy-to-understand terms.

Figure 2

VIEW ABOUT ADVISORS WHO HOLD MULTIPLE DESIGNATIONS

Q: Which of the following reflects your view on advisors who hold more than one designation?



Source: "2020 Investor Research," Investments & Wealth Institute

Table 1

HOW ADVISOR OBTAINS DESIGNATIONS/CERTIFICATIONS

Q: Please rate how important you think each of the following would be as part of how your advisor obtains his or her designations/certifications. Top three results only.

	Percentage Rating 'Somewhat Important' or 'Very Important'
My advisor met a rigorous set of standards to be certified (e.g., ethics, experience, education, examinations).	90%
My advisor would lose his/her designations if he/she failed to meet ethical standards.	89%
My advisor must meet ongoing standards in order to maintain his/her designations (e.g., annual continuing education, adherence to ethical standards).	87%

Source: "2020 Investor Research," Investments & Wealth Institute

CERTIFICATIONS AS AN EQUALIZER

The year 2020 has been met with civil and social unrest, with political narratives focused on discrimination and equality. Differences we perceive between ourselves and others are at the root of much discrimination. Certifications, by definition, level the field when it comes to evaluating the knowledge, skills, and capabilities of individuals.

Certifications will probably not eliminate discrimination, but they can improve the connection between an advisor and client. They can improve the relationship among members of a team and individuals in a firm. The consequence of these connections and improved relationships is inclusivity, which leads

to the rewards of diversity and a wider set of resources. It begins with evaluating the virtues of the individual, which is where trust forms and change begins. ●

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ENDNOTES

1. See <https://investmentsandwealth.org/ethics-standards>.
2. See Julie Littlechild, "Executive Summary: 2020 Investor Research," Investments & Wealth Institute (June 2020), www.iwcentral.org/2020InvestorResearch.
3. "Value Of CIMA® and CPWA® Certifications," Cerulli Associates and Investments & Wealth Institute, <http://iwcentral.org/2020ValueCIMACPWA>.
4. See endnote 2.



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