

## Outside-IN

# Why a culture of compliance is critical

In an age of heightened consumer demand for fiduciary advice, retaining assets and protecting your firm are complementary strategies

Jul 19, 2019 @ 12:18 pm

By **Steve Gresham and Kevin J. Ruth**

The financial industry's reputation was hit broadside by the financial crisis, eroding trust and opening the door for new industry players offering transparency, convenient service models and lower fees. We remain in a general environment of distrust.

Regulators have attempted to address this loss of trust with proposals that set higher standards of conduct for companies and

## Most popular



**Bob Doll's midyear report card shows he got 60% right**



**TD Ameritrade CEO Tim Hockey resigning**



**Andrew Siegel of Merrill**

## Awards &amp; Recognition

## Sections

## synergies

a | acting  
in clients'  
best  
interest

client base that will require even greater care in the coming decades. The SEC's reform actions already face **challenges from consumer groups** determined to strengthen the standards at both federal and state levels. Some financial advisors support a fiduciary standard they believe will strengthen their industry's credibility and value. The more than 80,000 CFP professionals **must incorporate the fiduciary duty** when providing financial advice into their practices next year. **States will continue** adopting their own fiduciary standards. Will some advice firms really leave those states as a result?

We are already aboard a moving train to higher standards and the expectations of fiduciary care by financial advisers. Lost in the scramble to challenge the new proposals and avoid the costs of systems changes needed to comply with their requirements is the rising tide of "consumerism." Consumers understand a fiduciary standard of care for the management of their assets. They might not be able to describe it using the arcane language of the financial services industry, but they have a pretty good idea of what a good adviser should do. Disruptors listening to those clients have consistently driven down transaction costs and increased investor choices — and without any pressure from lawmakers. A quick survey of asset flows over the past 10 years pretty much tells the story of how consumer demand has changed the landscape. Clients vote with their dollars and the "winners" bring innovation in product features, convenience or pricing, while the "losers" try to hang on to their legacy game plans.

## Upcoming event

Nov  
19

Conference

actors. But much of the current regulatory activity has picked up on the demands of a more educated investing public and is at some level advocating as policy what many consumers already enjoy — a high standard of suitability, loyalty, care and service from their financial adviser.

Advice industry leaders now have the opportunity to define "best interest" and choose the standard of care they will provide clients, but there are challenges. The solution is a bit of a Rubik's cube, given the variety of client preferences and the range of digital and human advice capabilities. There are important perspectives about the cheapest solutions, the richest benefits, and different service platforms for different types of clients. Technology use varies widely. The greatest hurdle of all may be the record results from a historic bull market. All these friction points slow the wheel of change.

We think culture leads the way. Culture is the primary role of good organizational leadership. Create the right culture and it attracts the right professionals and the right clients. Leading in the future means establishing trust with our clients, moving to the highest standards, and providing the best advice, best products and best relationships possible. We will need to make it easier and more convenient to manage a household, multiple generations and multiple accounts. We will have to educate new clients and care better for older clients. Our best guides for our best efforts will be our best clients and our best advisers. Establishing a **"culture of compliance"** is a concept offered by the Financial

## Adviser Summit

[Sections](#) [Subscribe](#)  
The InvestmentNews women Adviser Summit, a one-day workshop now held in six cities due to popular demand, is uniquely designed for the sophisticated female adviser who wants to take her personal and professional self to the next level.... **Learn more**



establishes only the baseline of client expectations.

Awards & Recognition

Sections

Subscribe

High standards have costs. An unavoidable issue facing the advice industry is that too many "advisers" do not meet the professional standards exemplified by our best professionals and expected by our best clients. Another challenge is the scale of some service models in which the best clients get top notch attention and others never hear from anyone. Great technology exists to improve customer service, but leadership is required to drive adoption. Taxes are the greatest expense paid by clients in their lifetime, and health determines the length and quality of life. Neither topic gets much attention across the industry, which often cites concerns about liability for the failure to address these critical client issues. Can't we do better? The clients are waiting.

*Steve Gresham is an industry consultant and the former head of the private client group at **Fidelity Investments**. He is also an advisory board member at Cogniscient Inc. and EquiFi.com. Kevin J. Ruth headed Wealth Planning and Personal Trust at Fidelity Investments and was the chief financial planning officer for Fidelity Personal and Workplace Advisors. He is also a member of CFP Board Standards Resource Commission.*

0

COMMENTS

**What do you think?**

[View comments](#)

**Recommended next**



Awards & Recognition ▾



**Bull market malaria and other advisory firm ailments**



**Former Wells Fargo rep suspended for trading dead client's account**

Sections   Subscribe

## Latest news & opinion



**Bob Doll's midyear report card shows he got 60% right**

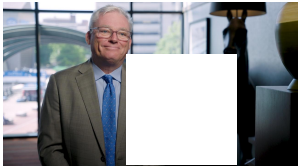
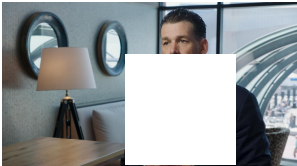


**Andrew Sieg of Merrill Lynch on bank synergies and acting in clients' best interest**



**Merrill Lynch pays \$40 million settlement over broker churning, faces second claim for \$42 million**

## Most watched



[News & Features](#)[Video](#)[Data & Resources](#)[Research](#)[Events](#)[investors](#)  
Awards & Recognition[conversations with  
your clients](#) [investing](#)[Sections](#)[Subscribe](#)[Subscribe to Print](#)[Newsletter Sign-up](#)[Register](#)

## Now in print



### This week's issue

To download the full contents of this week's issue, [click here](#).

#### Past Issues

July 6, 2019  
June 22, 2019  
June 15, 2019

[SUBSCRIBE](#)

## Get daily news & intel

The pulse of the financial advisory industry.

[Sign up](#)

Breaking news and in-depth coverage of essential topics delivered straight to your inbox.

[VIEW ALL  
NEWSLETTERS](#)

## Connect with us

Register to access our archive of leading investment information and data

[Follow @investmentnews](#)[Follow @eventsfromIN](#)[Follow @statsfromIN](#)

