

One way to rebuild trust

A great many banks and savings institutions rightfully feel that the ignominy heaped upon the industry by an angry Congress and its media cohorts is not justified by anything they did. Feeling abused, however, won't make the tarnish go away.

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An article in this issue suggests a way to not only remove the stain of reproach, but to enhance the industry's standing.

In his thoughtful assessment of the wealth management market—“What are the new best practices?” (p. 22)—Fortigent Senior Managing Director Scott Welch makes the point that providing information and data is not enough to differentiate one wealth advisor from another—most do that. “Differentiated advisors know the key is to…[also] deliver knowledge, understanding, and wisdom.” While we would question whether wisdom is a deliverable, clearly knowledge is, and certainly assisting people to understand their financial situation is a worthy and achievable goal, and one that applies not only to wealth management, but to credit cards, mortgage loans, and banking generally.

Welch also talks about the issue of lost client trust. Wealth managers not only had the effects of the financial crisis to deal with, but the impact of Bernard Madoff and his ilk. Yet Welch suggests that there are other factors contributing to the lost trust. One is that inherent conflicts of interest can, and often do, detract from a feeling of trust between advisor and client. One example: being paid based on business brought in despite being hired under the assumption of working in the client's best interest. He suggests a wealth management version of the Hippocratic Oath, a portion of which is mentioned in the article. Here is the suggested oath in full:

1. We will fully educate and inform our clients with respect to their investment portfolios.
2. We will define precisely what our responsibilities are with respect to client relationships.
3. We accept full accountability and responsibility for the advice we provide.
4. We will acknowledge and explain to our clients any agent/fiduciary conflicts, and we will explain up-front how we will manage that conflict over the life of our relationships.
5. We agree to full transparency and full disclosure in all aspects of our client relationships—including how we get paid and any and all conflicts of interest.

6. Our clients will always know where their assets are held.

7. We will agree up-front what constitutes a successful relationship, including clearly measurable objectives and metrics for evaluating progress toward those objectives.

8. We will define specifically the service model our clients can expect.

9. We will act morally, ethically, and legally at all times.

10. We will never deliberately act against the wealth management interests of our clients, and we will keep our client's wealth management 'health' as our highest priority.

It's a good guide. With a few wording changes it would apply to almost any area of financial services. We don't think the majority of bankers would have a problem with these principles, even though the details are not always easy to achieve. Even with just the first point—educate and inform—there is much that could be done that would go a long way to helping restore the banking industry to its position of trust. â—