



*The Ethical Compass: Navigating
Integrity in Financial Services*

InterPrac Financial Planning
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AGENDA

Lifespan PD Day

1

Modern and business ethics

2

5 step ethical decision process

3

How to apply an ethical framework to everyday financial advice dilemmas

4

Ethical & client advice centric solutions



Modern ethics

What is ethics?

What is ethics?

Ethics is a philosophical discipline that explores **moral principles, values, and conduct** used to differentiate between right and wrong.

It involves applying **ethical theories and frameworks** to assess and navigate complex moral dilemmas and make **well-informed decisions**.



Modern ethics

What are the 3 key ethical vales?



Trustworthiness

01

- **Reliable** and with **integrity**.
- **Authentic** and of good character.
- **Humility** and able to connect with people.
- Client's **trust you**.



Honesty

02

- Technically **more** than **telling the truth**. (present both sides)
- What would the other **person need to know?**
- Ensuring people have a full understanding. **Ask client to explain**.



Fairness

03

- Treating clients **equitably and fairly**.
- **Impartial** – Assess any biases and address how they **influence your decision making**.
- What's fair for one may **not be fair for all**.



Modern ethics

How do you apply ethical values?

1 Provide a moral map

Offers a **frameworks for evaluating the consequences**, intentions, duties, virtues, or cultural contexts involved in a particular situation, allowing actions that align with their moral principles.

2 Uncover dilemmas

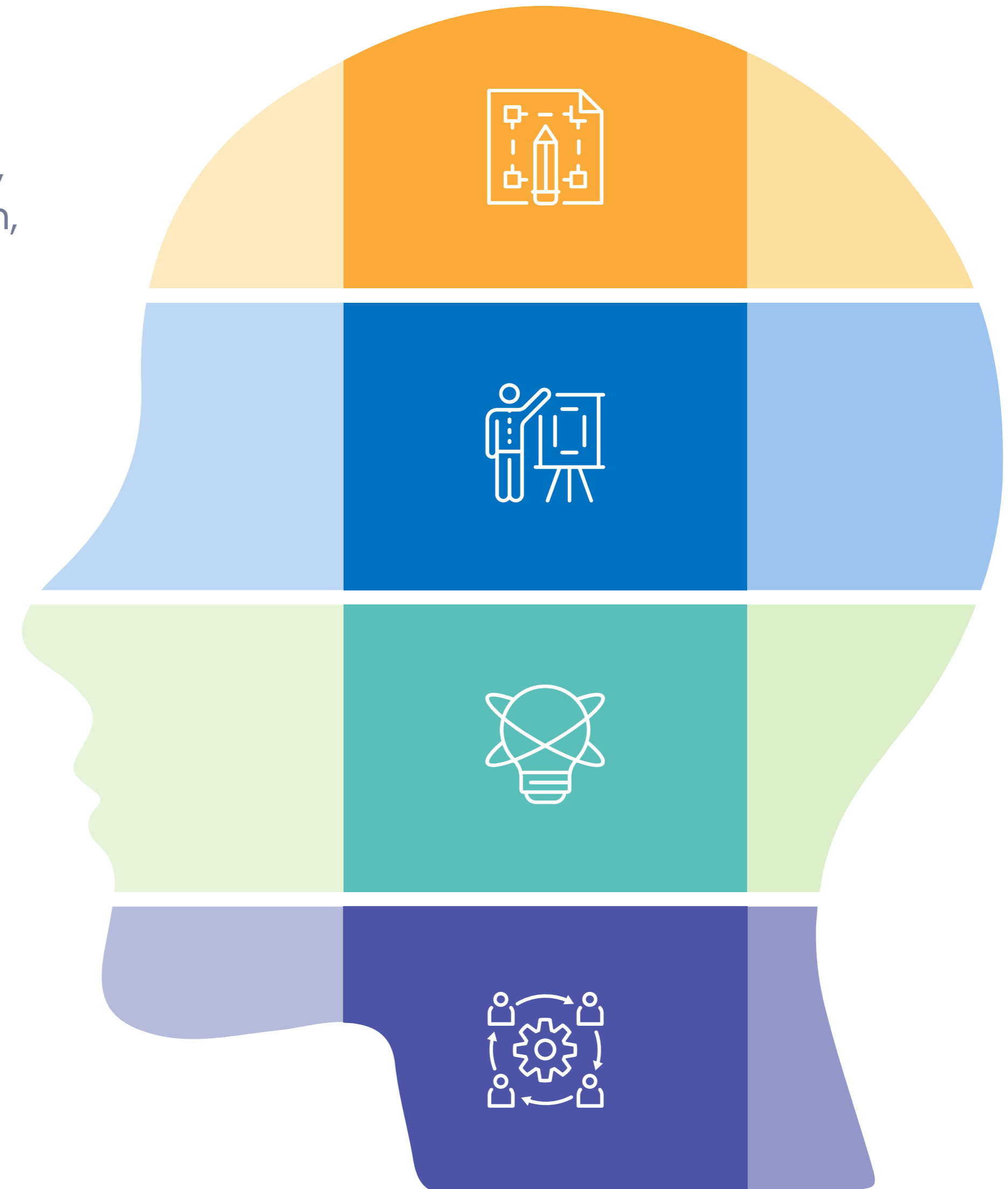
At its core, ethics aims to answer questions about what is **right and wrong, good and bad**. It examines various theories and perspectives on **morality, fairness, justice and responsibility**.

3 Give several answers

The challenge is whilst a number of answers can be right, **how do you choose the best one?**

4 Reflection

It involves **pausing and contemplating** on the ethical implications of a situation or dilemma, allowing individuals to gain a **deeper understanding** of the moral dimensions involved.



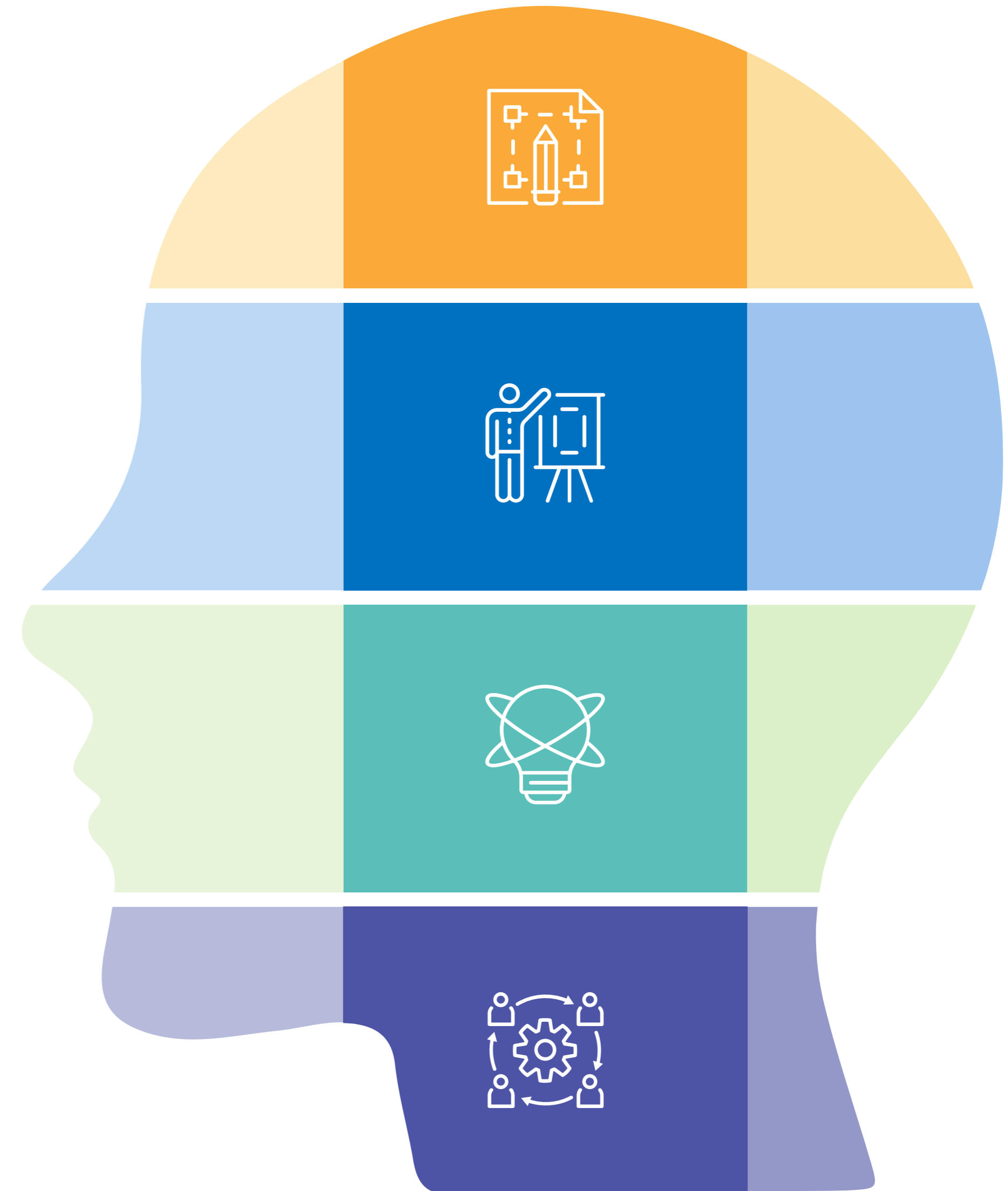
Modern ethics

How do you apply ethical values?

“

Ethics is about right
and wrong;
what ought I to do?

SOCRATES



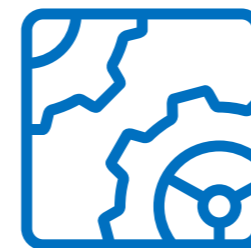
Business ethics

3 key guiding behaviour in business



Principles

- 01**
- **Specific** and **pervasive** boundaries for **behaviour** that are universal and absolute.
 - E.g. principles include freedom of speech, fundamentals of justice, etc.



Values

- 02**
- Used to develop norms that are socially enforced.
 - **Integrity, accountability** and **trust** are examples of values.



Standards

- 03**
- Set by employees, customers, interest groups, the legal system and the **community**.
 - Often determine whether **a specific action** is right or wrong, ethical or unethical.



Business ethics

Guiding behaviour in business

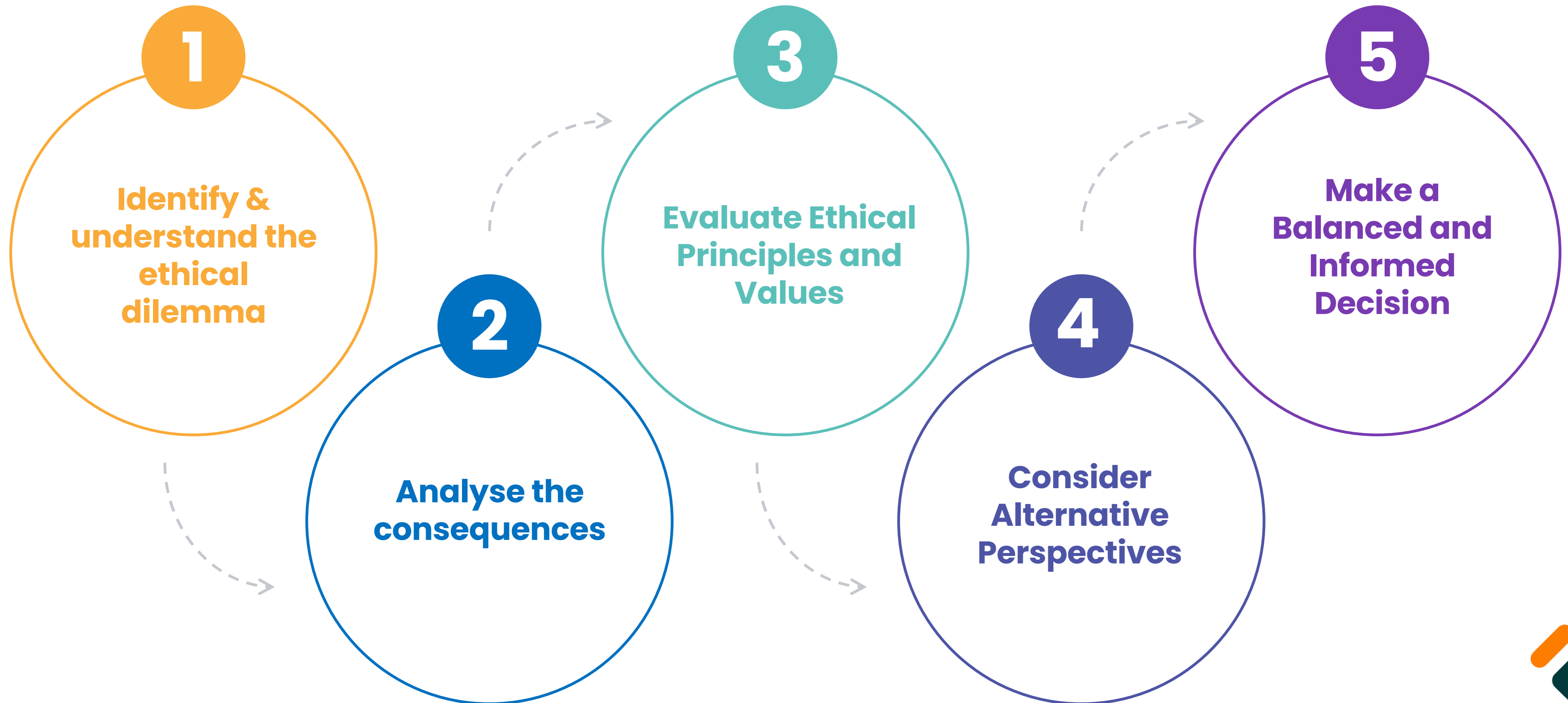
What of about today's shifting trends?

- Business ethics, is not just being legal, more importantly for **product/service is for community good and minimises harm.**
- Benefits of an ethical culture is **minimising risk** and the need for enforced compliance.
- Develop a **"best practice"** culture.
- Ethical is a **mutual obligation.**
- Businesses' and advisers are choosing **not to do business** with those with **different standards.**



5 step ethical decision process

Critical Elements of Ethical Thinking and Reaching 'Good' Decisions



5 step ethical decision process

Critical Elements of Ethical Thinking and Reaching 'Good' Decisions

1

**Identify &
understand the
ethical
dilemma**

To navigate ethical dilemmas effectively, it is crucial to identify and comprehend the **conflicting values, principles, or interests involved**.

Gathering comprehensive information and perspectives helps in gaining a **clear understanding** of the situation.

Unsure investigate further.



5 step ethical decision process

Critical Elements of Ethical Thinking and Reaching 'Good' Decisions

2

**Analyse the
consequences**

Considering both **short-term** and **long-term** impacts, this step involves assessing the potential benefits and harms of different decisions on all stakeholders.

Analysing **consequences** helps evaluate the **ethical implications** of **each available option**.



5 step ethical decision process

Critical Elements of Ethical Thinking and Reaching 'Good' Decisions

3

Evaluate Ethical Principles and Values

Ethical principles, such as **fairness, honesty, integrity,** and **respect for autonomy,** provide a framework for evaluating the moral implications of decisions.

Reflecting on **personal values** and relevant ethical standards aids in making ethically **sound choices.**



5 step ethical decision process

Critical Elements of Ethical Thinking and Reaching 'Good' Decisions

4

**Consider
Alternative
Perspectives**

By seeking input from **diverse sources** and engaging in **thoughtful dialogue, alternative perspectives** can be explored.

Challenging biases and assumptions allows for a **broader understanding** of the issue and **uncovers overlooked** ethical considerations.

Discuss with colleagues, confidants or your mentor.



5 step ethical decision process

Critical Elements of Ethical Thinking and Reaching 'Good' Decisions

5

**Make a
Balanced and
Informed
Decision**

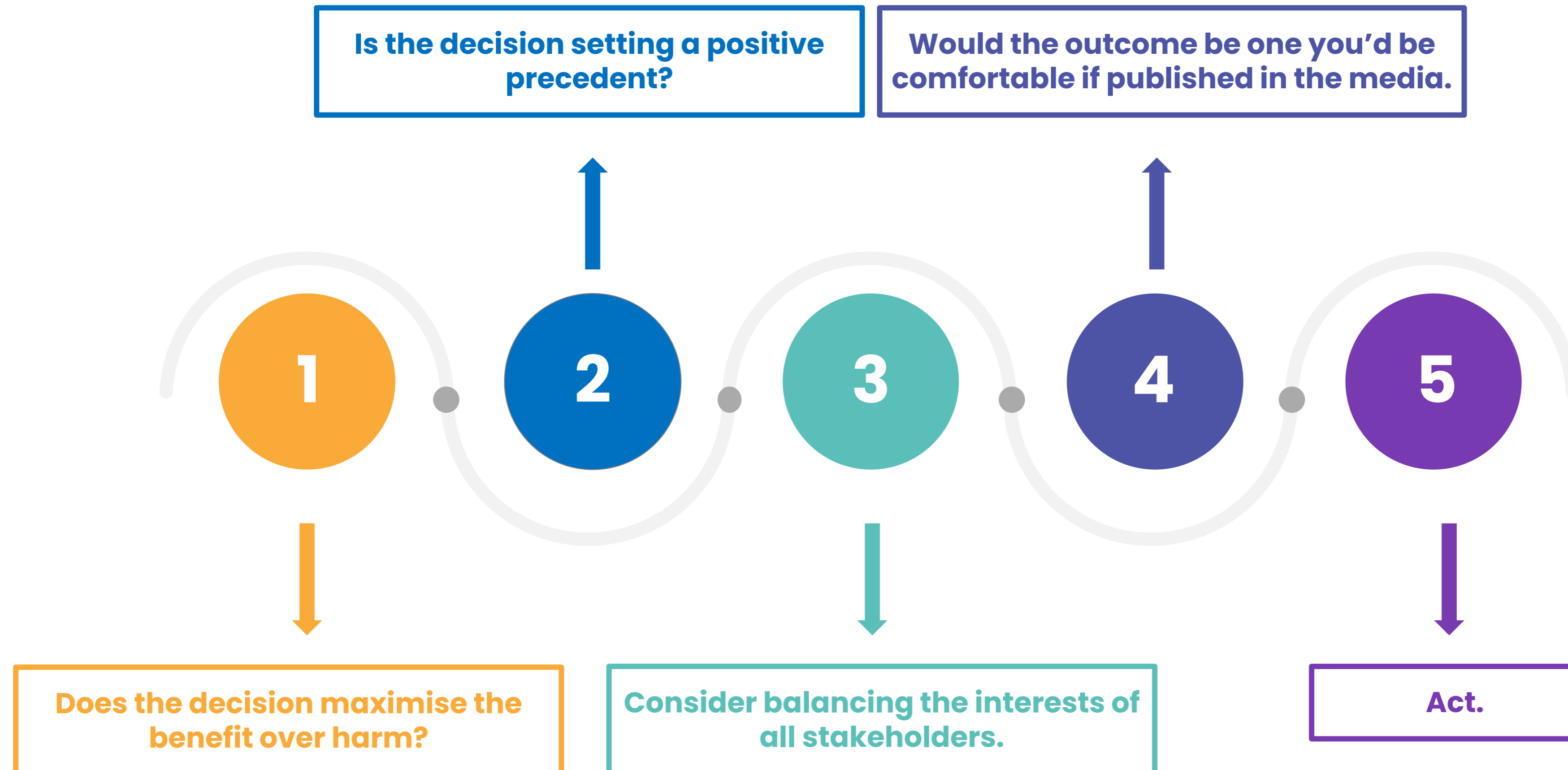
Utilising the insights gained from previous steps, a **balanced and informed** decision can be made.

Weighing options against each other, considering gathered information, **potential stakeholder impacts**, and relevant ethical principles aids in reaching a decision that upholds **fairness, justice, and respect** for **all individuals involved**.



How do you reach a 'good decision'?

Critical elements of ethical thinking



Ethical dilemmas

Applying an Ethical framework to everyday dilemmas

1

Risk is foundation, should advice always address Risk?

2

Reduce or cancel Life Insurance

3

Ethical considerations for vulnerable persons

4

Ethical & client centric solution



Ethical dilemma #1

Applying an Ethical framework to everyday dilemmas



Identify & understand

- Risk is foundation of any good financial plan.
- Should financial advice always address Risk needs and strategy?



Analyse the consequences

- If not, the client is potentially exposed.
- Will the client be able to make an informed decision?
- Does the client fully understand the consequences?



Evaluate Ethical principles & values

- Is the client trusting you will to uncover all “things” financial?
- Have you considered any bias?
- You have the skill and experience.
- Are you being diligent and acting with due skill and care?



Consider alternative perspectives

- Let’s have a look at some alternatives on the next slide.



Balanced and informed decision

- What ought I to do?
- Time to discuss



Ethical dilemma #1

Consider alternative perspectives & balanced and informed decision

1

We are in business to make a profit. Risk advice is unprofitable, due to compliance, admin, UW and the business risk.

2

Scope out Risk strategies and advice.

3

Refer to a colleague.

4

Consider any bias and cross subsidisation.

5

Time to revisit service offer & revenue model?



Ethical dilemma #2

Applying an Ethical framework to everyday dilemmas



Identify & understand

- Client is adamant wishes to reduce or cancel Life insurance



Analyse the consequences

- What are their personal circumstances?
- Is the client is potentially financially exposed?
- Can the client make an informed decision?



Evaluate Ethical principles & values

- Have you used all knowledge, skill and experience considering the client's needs, priorities, circumstances and objectives?
- Have you considered any bias?



Consider alternative perspectives

- Given client is adamant do you just proceed?
- Let's have a look at some alternatives on the next slide.



Balanced and informed decision

- What ought I to do?
- Time to discuss



Ethical dilemma #2

Consider alternative perspectives & balanced and informed decision

1

The client is adamant cover is no longer required, hence we will not provide advice and arrange cancellation accordingly.

2

Risk advice in this case is unprofitable.
What about your personal and professional obligations?

3

Need to consider family and any beneficiaries needs?

4

What about the client's health? Client maybe uninsurable.
Is client aware of the implications?

5

Are there any other alternatives? e.g. via Super, family etc.
Does the policy have an intrinsic value?



Ethical dilemma #3

Applying an Ethical framework to everyday dilemmas



Identify & understand

- How do you build a sustainable ethical business process for vulnerable persons?



Analyse the consequences

- Can the client make an informed decision?
- Obtaining informed consent can be difficult.
- Potential impact on estate beneficiaries.



Evaluate Ethical principles & values

- Act in good faith and with integrity and honesty.
- Take time to explain and confirm that the client truly understands.
- Implement safeguards & protective measures
- Fairness to all parties.



Consider alternative perspectives

- Example of best practice – Ethical process for vulnerable persons.
- Let's have a look at the process on the next 2 slides.



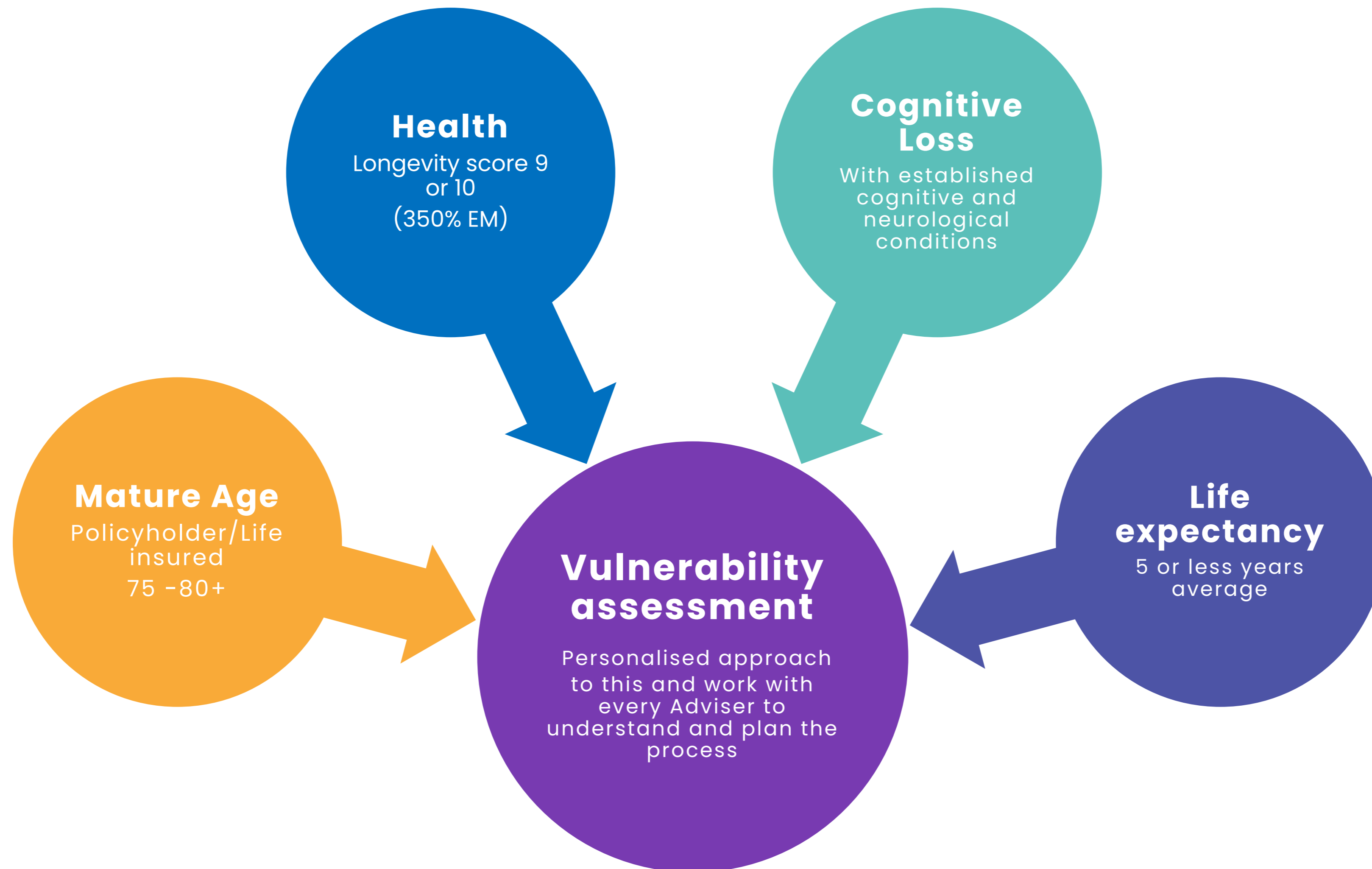
Balanced and informed decision

- What ought I to do?
- Time to discuss



Ethical dilemma #3

Best practice – Ethical process for vulnerable persons



Ethical dilemma #3

Leading Best Global Practice 5 Step process supporting financial advisers & vulnerable clients

Trustworthiness

- Acting in good faith and with integrity.
- **Communicating clearly.**
e.g. co-ownership arrangement.

Honesty

- Frankness and fairness, even if to your detriment.
- **Listening & clarifying** – Unique circumstances/questions.

Fairness

- Impartial, without bias. Treating all parties equitably & fairly.
- **Confirming** – All steps protects Adviser/Policyholder/Family witness.



Diligence

- Providing timely services efficiently, cost effectively and with due skill & care.
- **Transparency** – Audio or Video record on request for Adviser File.

Competence

- Use our knowledge, skill and experience.
- **Audit trail (both written & verbal)**
– Mitigates risk of complaints and disputes at claim time.



Ethical & client centric solutions

Is Co-ownership ethical?



Ethical & client centric solutions

Better outcomes for clients

Case study 1

Client adamant wishes to cancel

- Client aged 68 contacts adviser to cancel \$6.5m of Life cover
- Premium \$144k per year
- Client has committed to cancel the policy
- Health issues, Diabetes (poor blood sugar control), Polyps and Bowel Cancer
- Assessed and offered co-ownership
- On reflection kept \$2.5 million and co-owned \$4 million
- New strategy based on; Still running the business and has some business debt. The plan is as debt reduces, will "draw down" on the remaining \$2.5m life cover personally owned, reducing to nil when retirement arrives

Case study 2

vulnerable person

- Client aged 76 contacts adviser to cancel \$1.2m of Life cover. Policy commended in 1992
- Adviser is aware of health issue, Diabetes with complications, Heart attack and triple by-pass surgery
- Client adamant can't afford premiums and is going to cancel cover
- Policy 5 weeks in arrears and adviser suggests considering iExtend
- Assessed and offered co-ownership
- iExtend vulnerable persons process undertaken, included Meeting with wife and they discussed with their adult children
- Client decided to keep half of the cover
- Great outcome for all parties



SUMMARY

Ethics for Financial Services professionals

Alignment **Code of Ethics standards:**

- 2. Integrity.
- 5. Best interest & appropriateness.
- 6. Broad effects & long-term interests

File notes are critical to detail, **how you arrived at the best ethical decision**, conversations, interactions and explanations.



If you are not satisfied the client understands the recommendations being made, reconsider proceeding to implement the recommendation.

Ask client to explain your advice.

Best practice applying ethical principles. **Stop, think, act and the value of reflection.**



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