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Enhanced Fiduciary

Synopsis: *A new organization is creating board-certified specialties around the fiduciary standard.*

Takeaways: *The innovations, beyond board certification, are a peer-review process and a potentially more effective way to deliver profession-related education.*

One of the missing ingredients in the planning profession's structure—compared with other professions—is board certification in specialties. Right now, every advisor is functionally a generalist, much like a general practitioner in medicine. But of course medicine now has board-certified neurosurgeons, obstetricians, anesthesiologists, pathologists, plastic surgeons, radiologists, dermatologists, urologists—the list of specialties has grown from four in 1933 to 24 today.

When will financial planning start on that path?

It may already have. Many of you will remember Don Trone, who has written several guidebooks on the fiduciary standard, on the prudent man (person?) rule, ERISA standards and the Uniform Prudent Investor Act. He is co-founder of Fi360 (now a Broadridge company) and wrote the first training materials leading to the Accredited Investment Fiduciary (AIF) and Accredited Investment Fiduciary Analyst (AIFA) designations. And he happens to be the first person who ever brought up the idea of advisors acting as fiduciaries with me—at least ten years before anybody else.

Now Trone is building a Board Certified Fiduciary (BCF) mark, which will be different from anything the profession has seen before. Trone's new Center for Board Certified Fiduciaries (<https://www.c-bcf.com/>) will award the BCF in a variety of specialties, ranging from providing fiduciary investment advice to consumers, to overseeing the management of assets in qualified plans, to serving on the boards of those plans, to ESG or SRI specialization.

The designation will not be exclusively awarded to financial planning professionals; it is also open to people serving in a fiduciary capacity on 401(k) or 403(b) boards, and those with fiduciary responsibility for private trusts or other pools of assets. The idea is that you get training

in prudent fiduciary processes, and then you branch into your specialty to become a BCF in... well, the list will evolve the way the medical profession has evolved its board certifications.

To make the BCF a reality, Trone is assembling an ambitious infrastructure. He's in negotiations with several universities, assembling practitioner or professor 'deans' from prominent members of the planning and qualified plan communities, building curricula that will count toward university MA or Ph.D degrees in these fiduciary disciplines, and the most tangible aspect so far: a 35-person board who are overseeing the effort, who will also serve as mentors for the initial group of BCF candidates. The current list of board members includes Don Jones of Fiduciary Wise, Kate McBride of FiduciaryPath, Scott Simon of the Retirement Wellness Group, and attorney Keith Loveland, who has served for roughly a decade on advisory profession disciplinary committees. (The interested reader can find the full list here: <https://www.c-bcf.com/>.)

"We believed that the industry was ready for a progression that the medical profession had made," says Jones, who serves as chairman of the Center, "where you move from a generalist to a specialist."

“This is not intended for people in the earliest years of their career,” Trone adds. “This isn’t boot camp on fiduciary governance. I consider the AIF to be your freshman/sophomore coursework, your basic course in fiduciary responsibility, fiduciary 101,” he says. “The AIFA is the next level above that, your junior/senior 300-400 level courses. We are developing the BCF to be graduate work. If we come across candidates who have never done basic fiduciary training, we might send them to Fi360.”

But wait (I can hear a chorus in the background); what kind of *training* does somebody need to put the client’s interests first? Trone, almost alone in our profession, has long argued that simply deciding not to feather your own nest at the expense of clients is not all there is to fiduciary; that, in fact, acting as a fiduciary—whether it be for individual clients or pension assets—requires the creation and maintenance of a process-driven approach to various key tasks. There should be protocols and checklists to ensure that the underlying managers are properly vetted and monitored, that costs have been negotiated to the lowest possible point, that there is clear communication between the fiduciary and client/qualified plan board about a variety of things that are being constantly monitored.

In fact, much of the BCF training would probably be better-characterized as building leadership skills, where the fiduciary defines and executes the best path forward for the client, board or trust, the

Don Trone: Graduate fiduciary training, neuro-fiduciary evaluation and board certification.

same way a military commander might create a battle plan that offers the greatest chance of success, and then delegates, leads, monitors and executes.

Neuro-fiduciary

How does the training process work? Candidates will enter the program through a dual assessment protocol, which starts when they take a customized psychometric instrument adapted from neuro-leadership research by Dr. Sean Hannah, a retired U.S. Army Colonel who heads the Institute for Management Studies at the Wake Forest University School of Business. Trone calls this customized version a ‘Neuro-fiduciary’ assessment.

Candidates are asked to self-assess in a variety of areas, giving themselves a score from “1” (weak) to “5” (proficient). The topic areas are functionally grouped under ‘leadership,’ ‘stewardship’ and ‘governance.’

If the candidates do nothing more than take this test, they will come away with a surprisingly comprehensive education in the behavioral qualities that an ambitious fiduciary should aspire to. Each of the three assessment



areas includes five sub-categories that are key to applying the skill, and those subcategories each have five components. One of the five subcomponents of leadership invites candidates to rate themselves on their ‘courage,’ and the courage-related questions ask the candidate to self-define his/her ability or willingness to 1) take a stand on issues when needed; 2) remain resilient whenever setbacks are encountered; 3) maintain

composure when faced with adversity; 4) overcome unfavorable situations; and 5) take action to achieve goals and objectives despite their fears and risks.

The governance part of the assessment is broken down into five areas which measure whether a candidate is process-driven in making decisions: has the ability to analyze, strategize, formalize, implement and monitor the processes of decision-making. Picking one of these subcategories at random, the ‘formalize’ part of the assessment asks whether the candidate 1) employs a distinct process to determine the most appropriate strategy to accomplish stated goals and objectives; 2) adapts the strategy to account for the specific risks, assets and time horizon of the client or plan; 3) puts the strategy in writing; 4) reviews the written strategy with decision-

makers; and 5) determines that everybody involved has the time, inclination and knowledge to implement the strategy.

Of course, there may be candidates who simply enter a ‘5’ for everything, thereby claiming to possess god-like fiduciary acumen. The Center is creating a check-and-balance, with a not-yet-finalized peer-review process—and peer

assessment and recommend a customized self-study course in the areas where the candidate happens to be weakest. The Center has spent the past two years compiling a virtual mountain of research papers, blogs, quotes, checklists and templates, TED talk videos and other resources that a candidate can review in specific subject areas. The assessment

Trone envisions a 360-degree neuro-fiduciary evaluation involving three each of a candidate's peers, clients and staff members.

review, of course, is another item on the planning profession’s aspirational list.

“We actually plan to go to three levels [with the assessment],” says Trone, “with three people at each of those levels: three professional peers, three staff members and three clients, who would all complete the instrument about the advisor. *Do I, as a client, feel that my advisor is courageous? Do I feel that my advisor is collaborative? Do I feel that my advisor is attentive?* The whole process,” Trone adds, is designed to acknowledge the strengths and identify the shortfalls, and how those shortfalls are impacting the quality of the candidate’s fiduciary decision-making.”

Once the initial assessment process has been completed, each candidate is assigned a mentor—initially, as mentioned earlier, this will be one of the 35 board members—who will review the

instrument itself provides the navigation: in each topic area, the candidate’s report includes links to the “augmented learning landing pages” on Trone’s *3Ethos.com* web environment. Each candidates’ progress is monitored and guided by the mentor.

Trone argues that this initial self-study process is superior to the traditional CE-credit approach taken by our profession’s existing designations. “The neuroscience behind neuro-learning asks some important questions,” he says: “*How can we improve adult learning? How do we improve retention and how do we accelerate learning?* Traditionally,” he points out, “there is the hour-long Powerpoint presentation, with a continuing education quiz at the end. But it has been demonstrated that six months later, you will have forgotten 90% of that content.”

Monitored self-study focusing on areas of weakness, where the

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mentor provides accountability, accomplishes two things: it replaces generic information that might not be relevant with highly-relevant, customized content; and it replaces a one-time assessment immediately after the content is presented with an accountability to absorb and retain this information long-term.

unique MA designations, with a specified number of graduate hours in fiduciary responsibility, which may also be stackable towards an MBA. “This will not all be virtual,” Trone cautions. “The universities will require a certain percentage of the coursework be done at that university, but we are arranging for them to accept coursework from

practices, are areas where he should be taken seriously. But what about the foundational aspects of the program? Are there minimum credentials you have to achieve before you knock on the Center’s door. Does the candidate have to have the CFP or AIF to be considered initially?

The answer is yes and no, for a variety of reasons. In response to the CFP/AIF question, Trone points out that the BCF is not exclusively available to financial planners, and that we sometimes forget that the fiduciary standard is directly applicable to a much wider group of individuals than our small profession. “This opportunity is also going to be open to eight million lay fiduciaries,” he says, “including trustees and investment committee members of foundations, endowments and personal trusts. If I was doing a virtual workshop right now,” he adds, “I could have four advisors and fifty lay fiduciaries, but the content, and the delivery of the content, would be the same. We don’t want to create a barrier that keeps the lay fiduciary out.”

As alluded to before, candidates will definitely need to meet an experience requirement, but that will be part of the customized evaluation: the self-assessment, the 360-degree peer review, and the mentor evaluating whether the candidate has the experience needed to take the next step to achieve certified fiduciary specialist status. There is not, in other words, a requirement that the BCF candidate have worked for some rigid number of years—and there is a concrete reason for

The Center is abandoning the CE credit approach for focused self-study in a candidate's weaknesses, with a mentor holding him/her accountable for ongoing learning.

University degrees

To achieve the BCF designation in an area of speciality, the candidates will also go through a more formal curriculum in fiduciary leadership, stewardship and governance, developed in partnership with the university system. This is still a work-in progress. Trone is in negotiations with one primary university to become the hub, around which many other universities will offer curricula in specialized areas. “There are eight that we’re talking to,” he says. “We expect that in six months to a year, we will identify the university that is going to be our academic home, and we are finding that all of the universities we’ve talked with want to be a partner in this.”

This will be a combination of remote learning and on-campus classes, with the initial goal to create a masters-level curricula and

other universities as well.”

These courses will not, at least initially, be coordinated with the university’s financial planning program; Trone repeats that the BCF specialty designations is not for somebody with zero real-world experience. In his conversations with the deans of business schools, it is not uncommon for the dean to discover that there is a financial planning curriculum which would seem to be a part of the conversation. “We’re explaining to the dean that the people who are CFP candidates,” says Trone, “not the day they finish the CFP program, but 10 or 15 years later, may be ready to come back for the type of work we’re talking about.”

Initial qualifications

Trone was the central figure in building the Fi360 educational programs and designations, so building curricula, and devising more effective educational

that ambiguity as well. “In our conversations with the universities, the deans specifically stated that they do not want to create artificial barriers to the entry into their program,” says Trone. “If we set the work experience at ten years,” he adds, “then we would have to come back to the university and explain why the candidate is not qualified in year nine. And does that mean that the candidate is necessarily more qualified in year 11?”

Gaining the credential

The Center won’t award its credential based on whether or not a candidate passes a written test. The process will be more like the oral exams that universities have instituted for their master’s and Ph.D. candidates. “Very similar to a Ph.D dissertation, there will be three subject matter experts who will be on a call for two hours with a candidate,” says Trone. “One of the experts will be testing the candidate’s leadership and stewardship concepts. The second subject matter expert will be testing the candidate’s understanding of fiduciary processes and best practices associated with those processes. The third will be an expert from the area of specialization chosen by the candidate.”

As Trone envisions the process, the questioning might go something like this:

Did you prepare an investment strategy for the client?

Yes.

Did you use a template to do

that? Or did you prepare your own document from scratch?

I used a template.

When was the last time you updated that template? When was the last time you opened up the template and understood all the

a mentor,” Trone explains. “If you’re a BCF, and we notice that you have skills we have not seen elsewhere, we may reach back and say *we would like you to become one of the speciality leaders*. If you have an area of specialization,

***Instead of a passing a written test,
BCF candidates will
earn the designation by
passing an oral exam.***

documentation and the wording in it?

“You keep peeling away the layers until the three subject matter experts feel that the candidate deeply understands the topics,” says Trone, “and they will move on from each topic or decide that this person doesn’t fully understand it. At the end of two hours,” he adds, “we huddle together and say, *okay, does this candidate, in fact, demonstrate an understanding of this specialization? Or does this candidate need more work?*”

Ongoing requirements

Instead of CE requirements, people who achieve the BCF designation—and any associated degrees conferred through the university system—will have to meet more practical ongoing obligations. “We are not identifying arbitrary continuing education hours to maintain the certification,” says Trone. “Instead, the requirement is that you have to give work back to the profession. A BCF may be called upon to be

we might ask you to start a new area of specialization for the BCF.”

There will be a ‘publish or perish’ requirement not unlike how university professors achieve tenure. “You are expected to publish,” Trone says, “but it doesn’t necessarily need to be a 60-page research paper. It could be a slide where you develop content that will be useful to others.”

Jones says that the final ongoing requirement is simply to grow in fiduciary awareness and understanding of a specific aspect of advice. “As we talked about this organization,” he says, “we started wondering why there couldn’t be an organization where the continuing education would be based on the *doing*, not the ability to pass a test,” he says.

Enforcement

Loveland, a veteran securities attorney who founded the Center for Fiduciary Studies, and now serves as the Center’s General Council, says that he’s overseeing the development of a code of

conduct, a complaint procedure and a disciplinary process. "People will be required to uphold high standards, and every complaint will be handled through that process," he says, "with decisions that could include revocation of the mark, and

he says, have all benefited from the initial assessment and review process, and from diving into the materials to shore up their weaknesses. "All of us have made a mark in the world," says Jones. "Speaking for myself, I

to the profession, but it is pioneering a way for the planning world to move closer to the diversity and specialized expertise that we find in other professions. The peer review process also breaks interesting new ground and introduces another aspect of "true" professions. But perhaps the most interesting part of the BCF approach to credentialing is the emphasis on *doing* rather than passing a test and attending CE classes. Instead of granting a credential for life, or offering a membership in an association, this BCF initiative seems to foster continual growth from an advanced level to something more advanced.

"We're less concerned about your credential than we are the *living* of what you're doing," says Trone. "When somebody gets a mark as a board-certified fiduciary, at the end of the day, the mark is just another mark to put at the end of your name. It is the doing and living of it that matters."■

A BCF could be called on to serve as a mentor, or a specialty leader, or to start a new specialization. And they'll publish or perish.

appeals to the Board of Directors."

The ongoing peer review process will also monitor whether the BCF credential holders are continuing to progress in their careers and understanding of their specialties. Jones says that the kind of candidates they're looking for will not view this as a requirement, but as a welcome enhancement to their careers.

was comfortable in my world and what I was doing. Then I became a part of what we're doing here, and suddenly I'm learning every day," he adds. "In eight months, I have become a better person. I am a better professional, and it is stretching me in ways that I never expected."

The Center's board certification process is not exclusive

The 35 board members,

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