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Maintaining High Integrity and Ethical Practices as an Investment Adviser

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ABSTRACT

In finance, unethical behavior is a regular occurrence. Across History, and most notably the 2008 financial crisis, the age of risk-taking and profit maximization has been at the forefront of financial firms' and institutions' minds beyond the prioritization of integrity. Through the literature review, I researched this conversation to reveal the leading unethical practices that have arisen in the investment advisory industry. The main ethical problems include but are not limited to compensation, corporate culture, and risk-taking. In scholarly conversation, articles bypass coming to a standard narrative that helps present a solution to these problems. Establishing my research question, “How can Investment Advisers in the United States most effectively promote ethical behavior beyond having good intentions alone?” Semi-structured interviews with six investment advisers were used to accomplish this best. Then a thematic analysis was used, with the most common themes being acting voluntarily, establishing a moral framework, and fostering knowledge through mentorship and experience. After the conversation of these themes, I present a standard narrative. From establishing the themes such as ethical obligation and knowledge, virtue ethics, an ancient philosophy coined by Aristotle in his book “The Nicomachean Ethics,” which encompasses moral and intellectual virtues, will most effectively bridge the absence of ethics in the industry. It is an advanced moral perspective young adviser usually do not have; therefore, researchers must study the role of virtue ethics in the industry and its implications.

Introduction

Investment advisory services play an integral role in the financial well-being of individuals. The Financial Industry Regulatory Authority (FINRA n.d.) defines an *investment adviser* as someone who gets paid to authorize a client's securities decisions, whether to buy, sell, or hold the underlying securities. *Securities* are financial instruments traded through the open market, including but not limited to stocks, bonds, and derivatives. In this world, the investment advisory industry is enormously significant. According to Statista, in 2021, there were 14,806 registered Investment Advisers with 110 trillion assets under management. Their clients ranged from individuals to institutions and pooled investment vehicles (Statista, n.d.). The role of the investment adviser changes depending on the client they are advising:

- Individuals range from a singular person to an entire family of assets the adviser manages. In this case, the investment adviser tailors a portfolio to the individual/family’s needs (FINRA, n.d.).
- For institutions, the adviser either handles corporate investment decisions or advises institutional investors (endowment funds).
- With pooled investment vehicles, multiple investors come together to invest in a fund where the fund manager then hits specific criteria based on the fund (pension, mutual, hedge, and private equity funds) with this money. Notably, hedge and private equity funds only offer their services to wealthy individuals and large institutional investors.

In this established significance, ethics is critical in this vast world of investment advice. To combat fraud and manipulation with investment advisers, the Securities and Exchange Commission established the anti-fraud provisions of the Investment Advisers Act of 1940 (Gibbons et al., 2011). This act set the guideline for all investment advisers to follow the "fiduciary duty." This duty inclines all advisers to put the client's interest above their own and eliminate any conflicts of interest (Gibbons et al., 2011). All registered investment advisers are pushed to follow this duty by a code of ethics and regulations by FINRA and the SEC. I delve into this by discussing the loopholes in this regulation, then Aristotle's virtue ethics is argued using evidence presented through the research.

Literature Review

Despite regulatory measures, fraud and unethical practices have continuously occurred — unsuccessful in eliminating conflicts of interest. The University of Mannheim Business School Professor of International Finance, Dr. Stefan Ruenzi, and his other colleagues used the managerial accounting data containing the revenues and costs per client of a large retail bank to analyze how the bank profits from their clients (Ruenzi et al., 2018). They found that the execution of larger-sized trades (buying and selling securities) and selling the bank's mutual funds and investment products garner higher bank profits. Moreover, when advisers advise those specific investments, those advised clients generate less return than non-advised clients. Therefore, the advisers at this bank are breaching their fiduciary duty (Ruenzi et al., 2018). Adding these higher commissions to the bank's products and larger-sized trades is an immense disservice to the clients because this study shows the advisers felt more incentivized to breach their fiduciary duties due to the fee structure the bank implemented. Therefore, there are ethical issues regarding compensatory practices and advising proprietary products from mutual funds and other products, even if it is not in the client's best interest. However, it is incredibly eye-opening to analyze the fraud with Hedge Funds, which are mutual funds only offered to wealthy individuals.

The Ponzi scheme is a fraudulent tactic where newer investors supplement the return for early investors and not from actual investment income; Bernie Madoff, a hedge fund manager and chairman of the NASDAQ, orchestrated the largest Ponzi scheme in history, swindling 65 billion dollars among his 5000 clients of numerous notable names and well-known charities (Heydenburg, 2015). Intelligence Research Specialist for the US Federal Government Michael Heydenburg (2015) conducted a case study on the situation, specifically analyzing the harmful implications of Bernie Madoff's Ponzi scheme to the US public trust of banks and the US free market system, including securities trading. The public first pointed their finger at the SEC, exemplifying outrage that they could not catch this over 17 years; thus, questioning how well the SEC regulates the financial system. It also created a stigmatization against Wall Street corporate culture. Whenever people on wall street see someone making money, they do not bat an eye or question the ethics surrounding the returns, persuading the public to view Wall Street as greedy and unethical (Heydenburg, 2015). Furthermore, the banking system, because a top Investment Bank, JP Morgan Chase, served as Madoff's bank, where he stored his swindled money, leading people to question whether to trust banks and their financial services (Heydenburg, 2015). Accordingly, with instances like this, Investment advisers are tasked with promoting their integrity amid the anchoring first impressions of the general public.

Numerous other Hedge Funds recently have also committed fraudulent malpractice, from Ponzi schemes, trading on insider information, false promises, and misrepresentation in investment returns (Bollen & Pool, 2012). Nicholas Bollen, a Professor of Finance at the Owen Graduate School of Management at Vanderbilt University, and Veronika Pool, also a Professor of Finance at the Owen Graduate School of Management at Vanderbilt University, investigated the similarities between these recent cases of Hedge Fund fraud (Bollen & Pool, 2012). They used a set of performance flags on suspicious hedge fund returns on a set of returns from hedge funds from January 1994 to December 2008, differentiated by problem funds and nonproblem funds. They found that the problem funds home to fraud and illegal trading tactics triggered almost every performance flag at much higher percentages than the nonproblem funds; therefore, using a set of suspicious patterns in investment returns can be indicated as a means of better-identifying fraud (Bollen & Pool, 2012).

In connection with the Bernie Madoff case study, Bernie Madoff easily manipulated these investors because of their blind attraction to the steady positive returns throughout the 17 years. Nicholas Bollens' and Veronika Pools' study shows that no one should judge an investment advisor solely on their historical returns (Bollen & Pool, 2012). However, rather be mindful that these performance returns may be fraudulent, especially when there is no evidence of a down year. Even investors like Warren Buffet have down years. Another critical performance flag is when the investment adviser takes on unnecessary risk, taking advantage of the clients. This culture of risk-taking is a predominantly known occurrence on Wall Street, a structure of decision-making classified as ignoring conflicts of interest, poor risk management, and short-term strategies over long-term stability, all to maximize high compensation in a highly competitive landscape (Nell et al., 2012).

Former New School for Social Research Professor of Economics Edward Nell and his colleagues conduct a historical analysis examining this development (Nell et al., 2012). This culture arose on Wall Street in the 1980s and beyond due to the globalization of the industry (leading to great competitiveness with foreign firms), continuing innovations such as the rise of algorithmic trading, new/risky financial markets, and staggering growth in the industry in securities trading and mutual funds, culminating in unprecedented bonuses for wall street firms (Nell et al., 2012). This phenomenon of opportunity relied upon excessive risk-taking being a necessity rather than acknowledging it as a conflict of interest. This mindset breaded emerging advisers to adopt speculative and otherwise gambling practices of over-leveraging and aggressive risk profiles to cash in upon this opportunity, leading to the fallout of the 2008 financial crisis where CDOs (collateralized debt obligations) covered up risky subprime mortgages as safe investments to their clients (Nell et al., 2012). The financial crisis is a predominant example of an absolute failure of transparency/discretion with clients of risk profile.

The effects of the crisis led to financial reforms and newer regulations, such as the Dodd-Frank Act (Nell et al., 2012); however, even today, this culture of risk is still prominent due to the many loopholes available in deregulated derivative trading, and unregulated hedge funds (Nell et al., 2012). Overall, this issue presents a grey area in the investment advice industry; no matter the regulation, it relies upon the ethical standards advisers uphold because there will always be a loophole to exploit. Why should anyone act ethically when the incentive to act unethically is so high?

In conjunction with unethical wall street corporate culture, corporate culture in finance is a prevalent issue due to its negative influence on advisers. National University of Singapore Business School Professor of Finance Stephen G. Dimmock (Dimmock et al., 2018) and his colleagues conducted a study to identify whether financial misconduct is contagious amongst advisers by looking at the mergers of financial advisory firms with a history of this financial misconduct and ones with a clean record. They concluded that a historically pure adviser who merges with a branch, abode to individuals with a history of financial misconduct, has a 37 percent higher chance of committing fraud (Dimmock et al., 2018). This study established a corporate culture's possible negative influence on an adviser; thus, advisers are not only tasked to abstain from attractive means of malpractice but also navigate the impact their coworkers have on them.

Deusto Business School Professor Laura Beselga-Pacual and her colleagues used regression trend models to establish a positive correlation between a financial institution's board size/frequent monitoring of operations with a bank's ethical reputation (Baselga-Pascual et al., 2018), which helps explain the linking of unethical corporate culture on wall street and certain banks. Altogether, the existing literature in financial ethics primarily focused on identifying problems in the industry. However, these studies on financial ethics with investment advisers prove an overarching problem across various issues that increase the propensity to act unethically. The issues presented include:

1. Compensation
2. Proprietary products
3. Prioritizing company profit over client needs
4. Corporate Culture
5. Public perception of the industry
6. Risk-taking

In searching for solutions focusing solely on financial ethics, I found magazine articles that go over finding the proper adviser (Dodds, 2002; Korn, 2002) but bypassed empirical research using a methodology. Moreover, in the search, I wanted to find research that solely focuses on interviewing investment advisers to help provide solutions for junior advisers to model after.

Florida State University Professor of Corporate Finance James Angs' (1993) journal article on financial ethics delves into this by interviewing numerous financial experts, such as professors and lawyers, on various ethical problems in the industry. However, the limitation in his participant selection was that he did not use actual investment advisers or other workers in the field but academics who study it and knowledgeable professionals. Using the experiences of investment advisers is the most helpful framework because junior-level investment advisers have not been through the same problems, conflicts of interests, complex decision-making, and intense competition. Research that provides this to our next generation of advisers is a significant step in helping bridge the gap of this established environment of unethical practices — leading to the research question, "How can investment advisers in the United States most effectively promote ethical behavior beyond having good intentions alone?" The research aims to prepare junior-level investment advisers in financial ethics and the experiences they will encounter and present an ideological framework that best encompasses the fiduciary duty of doing what is best for the client beyond having good intentions alone.

Methodology

An in-depth interview method will best fill the gap and interpret how Investment Advisers can effectively promote their integrity. The in-depth interviews were semi-structured, then I used a thematic analysis to better make sense of the data. In-depth interviews are one-on-one interviews between an interviewer and an interviewee, with the primary goal of probing the interviewee's opinions and beliefs to make better sense of the inquiry (Hackett et al., 2016). This research analyzed six investment advisers' experiences working with various clients to see how they instituted integrity throughout their careers and opinions. *Integrity* generally means having high moral values. Using experienced investment advisers, profound and thought-out responses can be extracted, and the inquiry can be more deeply understood through follow-up questions. This type of research aimed to prepare junior-level investment advisers better across all standards of unethical practices. Thematic analysis revealed the needed key themes and knowledge, allowing this purpose to come to fruition.

Semi-Structured Interviews

I conducted semi-structured interviews, probing various questions to the Investment Advisers. Semi-structured interviews differ from structured ones, where the interviewer only asks previously prepared questions, but rather the interviewer guides follow-up questions (Hackett et al., 2016). First, before any interview was conducted, every adviser signed a consent form.

Furthermore, every participant was chosen carefully, as everyone had adequate experience working in an investment advisory role. Locations of the interview were primarily through the phone and occasionally on Zoom. The number one goal in this process was to be as transparent as possible. Therefore, before any interview, the process was explained from start to finish, including confidentiality and types of questions. The interview questions were split up into four different categories. The first category was contextual questions about their career and what they do. The second category was ethics and regulation. The third category is their experiences working with various clients. Then lastly, the fourth category was their personal beliefs about what makes an ethical adviser and an opportunity to give any further information regarding financial ethics. The interviews lasted, on average, an hour, so copious raw data was collected. With this final data, the interviews were transcribed using the intelligent verbatim method, removing unnecessary filler words (Halcomb & Davidson, 2006).

Credit goes to previously mentioned Florida State University Professor of Corporate Finance James Angs' journal article on financial ethics, as the idea of using interviews as the data collection method and splitting the questions into different sections was from his research. In 1993 financial ethics was not a well-evolved topic — sparking his interest in examining the inquiry. To better understand the various issues and regulations in financial ethics, he did in-depth interviews with finance professionals split up into three categories of questioning: 1. Experiences/real-world examples with unethical practices, 2. Opinions on financial management and ethical concerns, and 3. Views on the corporate finance code of ethics (Ang, 1993). In 1993 when financial ethics was in its infancy, these business professionals' in-depth and thoughtful responses were groundbreaking research for the field and promoted a much greater understanding. This research proves that using the method of in-depth interviews was empirical, but this time focusing solely on the investment advisory side of financial ethics.

Participant Selection

In the event of probing the experience of Investment Advisers, the advisers must have adequate experience and knowledge in their field and be advisers in the United States. In addition, it is required that they work in the investing side of financial services. Participants had to:

1. Be an RIA (Registered Investment Adviser) with either the SEC or the state or work as an investment adviser for an RIA.
2. Have a 4-year degree.
3. Have 5+ years of experience working as an Investment Adviser.

Further qualifying measures that hold merit (not required):

1. MBA or master
2. CFA, CFP, CPA, and other professional certifications

With this level of education and experience, the significance of the data will be empirical. Furthermore, it is vital because this research aims to prepare junior-level advisers; thus, probing the knowledge of advisers who already had skin in the game compared to juniors is essential.

Thematic Analysis

The type of data analysis that is applied is thematic analysis. First, a thematic analysis was used across the six transcribed transcripts to find common themes. Then, a shared narrative was generated that best encompasses the participants' responses. The benefit of using thematic analysis is that it helps situate overarching themes and fully interpret how investment advisers can promote their integrity. Thus, a philosophical framework was generated that best accomplished that goal. As an exact thematic analysis method, Virginia Braun and Victoria Clarke's six-step framework was used (Braun & Clarke, 2006). The six-step framework was accessible and carefully synthesized in Maguire and Delahunt's paper (Maguire & Delahunt, 2017). So, through this, here are the steps used:

Step 1: Become familiar with the data – Diligent re-reads were performed on all the transcripts, which helped foster a better understanding of the data.

Step 2: Generate initial codes – All the transcripts were coded by examining large chunks of the data and noting specific information conducive to the research question. Which helped better identify common themes.

Step 3: Search for themes – The themes are exciting and meaningful patterns in the transcript. There is no exact list of themes, but their significance categorizes them. The coded segments were used to generate themes, which helped synthesize the essential parts of all the transcripts and provide important patterns.

Step 4: Review themes – When reviewing the themes, a six-step process of questioning was implemented. Here are the questions proposed:

1. Are the themes sensical and can be understood?
2. Does the data support the presented themes?
3. Is there too much being fit into one theme?
4. Are any of the themes common and overlap?
5. Are any specific themes being left out and should be included?

Step 5: Define themes – In this part, the essence of each theme was identified, including its meaning/definition.

Step 6: Writing up – In the final step, a write-up was created explaining the alignment of the most significant themes to each participant's responses. Moreover, this write-up also presents a standard narrative that serves as a solution and a theoretical framework for the research purpose.

Results

Credibility

Each participant exemplifies varying levels of credibility. **"Appendix A: Participant Results"** showcases the answers to the first question category (background questions) in the appendices. Each name is denoted by "investment adviser" and a number to preserve their anonymity. It shows the years of experience working in investment services, their education, the number of assets they manage, and their licenses/certifications. The participants' selections were meticulously made, and only hyper-experienced advisers were appointed. The average experience for all six advisers is 14 years. The average single-managed portfolio is 57 million, with one multi-managed portfolio of 750 million and an executive director overseeing 17 single-managed portfolios, with the top five managing over 100 million. Notably, there are two CFA Charterholders and five upper-level management positions.

Findings

Before reviewing the themes seen in all the individual participant's transcripts, **"Appendix B: Definitions of Themes"** showcases the five themes found in the data and the corresponding definition. These themes were picked based on their frequency in the transcripts; every theme appeared in at least two or more transcripts. Their exact definition explicitly captures the *patterns* seen in the transcripts. For example, the theme of **Ethical Obligation** is "Establishing a moral code—a discipline where a higher purpose or set of virtues governs one's self." In every instance, an adviser articulated the importance of setting an ethical obligation or an experience where they upheld moral values they had set for themselves.

These five themes were then aligned to each of the six transcripts, showing consistent *patterns* across the participants' results. In "**Appendix C: Responses,"** the first column, "key takeaways," showcases the identifying investment adviser by their number, like in Appendix A: Participant Responses and their key takeaways. These key takeaways are condensed summaries of the essential information that prompted the connection of their corresponding theme. In some transcripts, a specific theme appears multiple times, even five to eight times, so the details are all

synthesized into one text block. It is also why some summaries are more significant in length than others. Furthermore, the selection of information presented in the first column depends on the second column, "alignment of themes." This column is where the defined themes in "Appendix B: Definitions of Themes" align with the specific information, creating patterns across each participant. Accordingly, it is now much more straightforward as to what guiding principles are best in being an ethical adviser, with the results being:

1. Voluntary: 5 transcripts
2. Ethical Obligation: 4 transcripts
3. Knowledge: 4 transcripts
4. Trust: 3 transcripts
5. Self-Regulation: 2 transcripts

Thus, these themes are significant because they were showcased at least twice and revealed how an adviser could sufficiently showcase their ethics beyond having good intentions alone through various virtues and behaviors.

Discussion of Results

Via semi-structured interviews with six investment advisers, the total data generated by hours is well over five hours. Through thematic analysis, the ability to pick apart the most exciting data segments and make better sense of them by connecting common themes led to significant findings. This section will discuss the top 3 most frequent themes in further detail. Then a standard narrative followed by a solution will be discussed.

Theme 1: Voluntary

As described in Table 2, being voluntary means taking that extra step with a client's needs, even if it is not required. The theme of being voluntary as an ethical adviser was the most prevalent out of the five themes. Moreover, the way of being voluntary is directly related to extreme transparency about things commonly some advisers bypass. From having awkward conversations about proving a specific investment philosophy, being upfront about skillsets, or explaining everything in an investment advisory contract of 20 pages of small print that most clients glance over and sign. However, a more exciting finding in this theme is about taking that extra step to explain compensation. Investment Adviser 3 describes how little inquiry there is:

"I would say one out of 100 People asks about it."

Therefore, this presents the perfect opportunity to act voluntarily, as Investment Adviser 4 says:

"I think fee structure is something many advisors shy away from. But I think it is an opportunity to show that you are ethical because no one is working for free, and you should be able to demonstrate your value. And if there is an issue, then you can acknowledge that maybe it is not a great fit. And I think that goes above and beyond because it is not required."

Moreover, Investment Adviser 2, an executive director of a bulge bracket investment bank, shares this sentiment surrounding compensation and transparency — this includes the costs of the services and why the services have that price tag. Also, many advisers agreed that compensation is the industry's biggest ethical issue and often debated issue. In the literature review, Stefan Ruenzi and his other colleagues' study on bank profits also reinforces this (Ruenzi et al., 2018). Thus, due to the infrequent inquiry of clients and the overwhelming ethical problem, being transparent about compensation is essential.

Theme 2: Ethical Obligation

An ethical obligation, as described in Table 2, is when one is governed by a higher purpose and not through industry regulations. Throughout the data, it was clear that having an ethical obligation is essential because only being governed by the laws and regulations in the industry that still present loopholes is most certainly not as effective as being governed by wanting to change people's financial lives, which in effect eliminates the incentive to act unethically. This straightforward narrative is reinforced by Investment Adviser 3:

"It all comes down to somebody's character and ethics. Because the information disadvantage we enjoy over clients is massive, we know so much more than what the clients know. If any advisor wanted to screw over a client just to help themselves, they could do it."

Therefore, even with fiduciary standards in place and other regulations, advisers still harness the opportunity to abuse a client. Described also by Investment Adviser 3:

"I do not care how many fiduciary standards are out there or regulatory bodies. The main thing that matters is just an individual's character."

This dilemma in the financial industry is also reinforced by Edward Nell and his other colleague's historical research on the culture of risk in the literature review, finding that advisers can abuse their power by taking advantage of loopholes in regulation and use their information advantage to screw over clients like with the use of CDOs, which caused the 2008 financial crisis (Nell et al., 2012). In this established potential environment, Investment Adviser 4 describes an ethical obligation as central to an adviser's career and a solution:

"It is important to establish your ethical framework and ensure that your values and morality are central to your career. And whenever you identify anything that strays away from that, raise your hand, or disassociate from it so it does not affect you."

This exact development of an ethical obligation and straying away from unethical environments was shared by Investment Adviser 1. He took it upon himself to leave two firms that did not align with his ethics and now works at a firm that prioritizes his ethics regarding the use of proprietary funds and excessive selling, edifying:

"You want to join a team that invests in you."

Altogether, by creating a moral framework, it not only eliminates the incentive and the influence of unethical practices like in NUS Business School Professor of Finance Stephen G. Dimmock and his colleagues' study on negative peer influence in the literature review, but it also leads the adviser to feel good about what they are doing through working within established virtues and changing people's lives.

Theme 3: Knowledge

Another frequent theme in the data was knowledge, defined as being a sponge for newer information and crystalizing intelligence through experience. The overwhelming sentiment between the four advisers in this theme is the importance of getting a mentor. Junior advisers do not encompass the same level of experience as tenured advisers, dynamically creating imbalanced knowledge. However, finding a mentor that best encapsulates the ethical standards required can help resolve this. For example, investment Adviser 2, an executive director that oversees 17 advisers, pairs all his newer advisers with a mentor:

"I just had two new advisors come to my team; they are not new to the industry but new to my company. So I have them with formal mentors."

He also believes knowledge is a big proponent in recruiting talent regarding experience, where mentorship can help:

"Experience is an important aspect of the folks I am recruiting to come to my team."

Moreover, a great hunger for knowledge:

"I want an adviser hungry for knowledge, one that's not depending on just the company to provide that knowledge; what are they doing with their extracurricular time?"

Accordingly, a managing director with direct oversight in the professional development team for his firm, Investment Adviser 5, shares this same sentiment regarding pairing mentors with newer advisers. The same thing happened with Investment Adviser 3, a managing director with direct oversight, but also ties in how important mentorship is to develop an ethical framework:

"One of the best things any Junior can do is try to align themselves with a good mentor. And that would include a good mentor on the ethical side of things."

Moreover, Investment Adviser 1's experiences reinforce this line of thinking; he credits everything he knows today to both experiences in losing clients and understanding the ethical operations of being an adviser from other people. Accordingly, from all this shared sentiment, junior advisers must be paired up with an experienced mentor who encompasses practical wisdom in unethical experiences and must continually work to improve theoretical knowledge, paired with practical knowledge that develops over time.

Standard Narrative & Solution

The standard narrative that arose is that character is essential. Firms struggle with being able to gouge this quintessential byproduct of talent, causing bad apples to slip through the cracks. Furthermore, in connection to investment advisory, this definition of character differs because a good character could be just having good intentions. However, that does not correctly encompass fiduciary duty, where one must go beyond good intentions or blindly follow the rules and regulations. However, through thematic analysis, developing and establishing virtues from both moral and intellectual facets is the best solution for this ethical problem in the finance industry.

Aristotelian ethics, an ancient Western philosophy on virtue ethics, best aligns with this narrative and the common themes found in the data. Furthermore, it can help solve the industry's dilemma going back to the great depression of personal character. According to The Stanford Encyclopedia of Philosophy, Virtue is a complex mindset where consequences or rules in place do not override a person's decision-making but the values of the individual (Hursthouse & Pettigrove, 2022). Moreover, virtue ethics encompasses striving for practical wisdom because of its connection to solid morals (Hursthouse & Pettigrove, 2022). Many concepts have interpreted virtue ethics, and Aristotle distinguishes himself by separating virtue and complete virtue (Hursthouse & Pettigrove, 2022). In "The Nicomachenean Ethics," Aristotle describes his view on establishing complete virtue (Aristotle, ca. 340 B.C.E./1975). In his work, Aristotle argues a eudaemonist ethics theory, where the ability to accomplish ultimate happiness is through *eudaimonia,* a state of existence where one is "flourishing." *Flourishing* is a self-actualization that every person should strive for to achieve this ultimate happiness (Hursthouse & Pettigrove, 2022). Effectively realizing eudaimonia is through establishing intellectual virtue, which he talked about in Books 1 and 6, where he argues upon establishing a

theoretical life and being governed by reason (Heineman, 1988). This virtue is tied directly to the themes in the thematic analysis of being voluntary, harnessing knowledge, and practicing self-regulation. Aristotle also discussed in Books 2 to 5 that achieving eudaimonia is found in moral virtues (Heineman, 1988), which directly connects with the theme of ethical obligation, being voluntary and analytically with the theme of trust in the thematic analysis. Accordingly, intellectual and moral virtues will be further expanded upon and connected to the common themes.

Intellectual Virtue

The basis of intellect is on establishing *phronesis* (the highest intellectual virtue), in which one must establish theoretical reasoning, and practical wisdom, where practical knowledge enables someone to make sound judgments (Ellet, 2012). Furthermore, asking thoughtful questions like "How can I better suit the client" in investment advisory fosters a theoretical approach. Purely examining every action is possible through questioning, which establishes self-regulation. Moreover, by establishing this in practice, going above and beyond can be achieved, which aligns with being voluntary.

Furthermore, Aristotle believes the acquisition of wisdom is through practical knowledge. Through thorough workplace practice, extensive experience molds wisdom (Massingham, 2019). Junior-level advisers' wisdom needs to foster improvement because of their lack of practical knowledge, experience, and reasoning in various ethical situations that arise in the profession. In order to combat this, getting a mentor is very much needed, which was previously discussed in the section "Theme 3: Knowledge." They can model after someone who is the best at what they do, with the highest practical wisdom, setting them up on the fast track to phronesis. The older someone is, the more wisdom they have because they accumulate more experience through their work (Massingham, 2019); therefore, an adviser must aim for a person with the longest tenure at the firm or even a retiree.

Moral Virtue

Aristotle acknowledges moral virtue as a product of habit rather than something learned (Aristotle, ca. 340 B.C.E./1975). Moral virtue is enforcing the best actions and emotions in the presence of pleasures and pain that arise throughout life (Aristotle, ca. 340 B.C.E./1975). The presence of the pleasures foreseen in short-term gain, and abusing clients for personal interests and secondary goods like money, also discussed by Aristotle, is a *vice* (opposite of virtue) seen in the investment advisory industry. Furthermore, it is through moral virtue that one must abstain from these pleasures because it goes against the established character and not just because of the rules and consequences in place. Furthermore, moral excellence, denoted in Greek by "*arete,*" is discussed as adhering to great honesty of dispositions (Aristotle, ca. 340 B.C.E./1975), which connects to the theme of voluntary, talking about compensation structures, personal knowledge about investing, and more. Further, Aristotle discusses that being dishonest about individual merits, like one's skillset, as means of capitalizing on secondary goods, like what Bernie Madoff did, is a flawed character (Aristotle, ca. 340 B.C.E./1975). Also, moral virtue is not learned but is voluntary (Aristotle, ca. 340 B.C.E./1975), as every adviser possesses the power to be virtuous and refrain from vicious acts.

Moreover, the root of this power must be a means of an end, and a person's character decides this end, whether it be viewing evil actions as being righteous or doing good actions (Aristotle, ca. 340 B.C.E./1975). Effectively, this character as an adviser must be rooted in wanting to do good actions, like prioritizing building long-term trustful relationships with clients over short-term, because it positively impacts their lives. Undoubtedly, it falls upon the life an adviser wants to lead, which should be rooted in wanting to advocate for people's financial well-being, which helps accomplish a good end, where people can look back and respect it when the death clock hits zero.

Conclusion & Future Directions

Limitations

The limitations in the data include the number of participants used and the need for more variety of clients the advisers cover. Five out of the six Investment Advisers interviewed only served individual clients. So, the review of ethical problems' were limited. For example, hedge funds account for the more extreme cases of unethical behavior, like Ponzi schemes and insider trading. When asked about insider trading, the participants in the study collectively have never encountered it in their practice, and it seems never to be an issue. This case is entirely different when examining hedge funds. The more extreme nature of problems is partly due to their mass influence in political donations, lobbying for less regulation, and their exotic trading strategies using derivatives, as derivative markets are deregulated.

Implications

The implications of this study are highly influential to the future of the investment advisory industry. The problem with today's education regarding financial ethics is that it bypasses ancient philosophical thought. Future education in schools and online certifications should require Aristotelian ethics as required thought. Even internal bank education and screening for qualified candidates should implement Aristotelian ethics due to the overwhelming sentiment of the connection between a person's character to an adviser's success. Moreover, the results of this study should be replicated by junior advisers to fully kickstart their success in a financial world of unethical practices. Time and time again, it has been proven that no matter the implementation of regulations and ethical standards, the incentive to act unethically in the finance industry is still alive. Therefore, in future research, the role of Aristotelian ethics in the investment advisory industry must be studied to see its influence on the next generation of investment advisers. In addition, the research can examine its role in a bank's operations or through the individual adviser level.

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