CFA INSTITUTE

ETHICS IN PRACTICE:

Good Advice to Move Retirement Funds?

CASE STUDY

Urquhart is a financial planner for AKC, which runs a large network of financial planners. AKC compensates its planners based on the number of sales of AKC products. Urquhart advises a husband and wife to roll their retirement funds, which combined are worth $125,000, from one service provider into a single AKC investment fund that follows a large-cap equity strategy. Urquhart discloses to the couple that they will have to pay a penalty totaling $30,000 for closing their accounts, but they will make up this loss with better investment returns from the AKC product. Urquart's actions are

A. acceptable if the AKC product is suitable for the couple.

B. unacceptable because he is promising a specific rate of return.

C. acceptable because he fully disclosed the negative consequences of closing their accounts.

D. unacceptable unless the performance history of the AKC product supports his statement about future returns.