

"A truly transformational read that will educate and inspire!" — Joe Lanza, **Dow Jones Barron's**

# TRANSPARENCY WAVE

**EXPONENTIAL CHANGES**  
**THAT WILL TRANSFORM**  
**OUR WORLD**

**CHAPTER 16**

BARRON'S  
& FORBES  
TOP  
ADVISOR

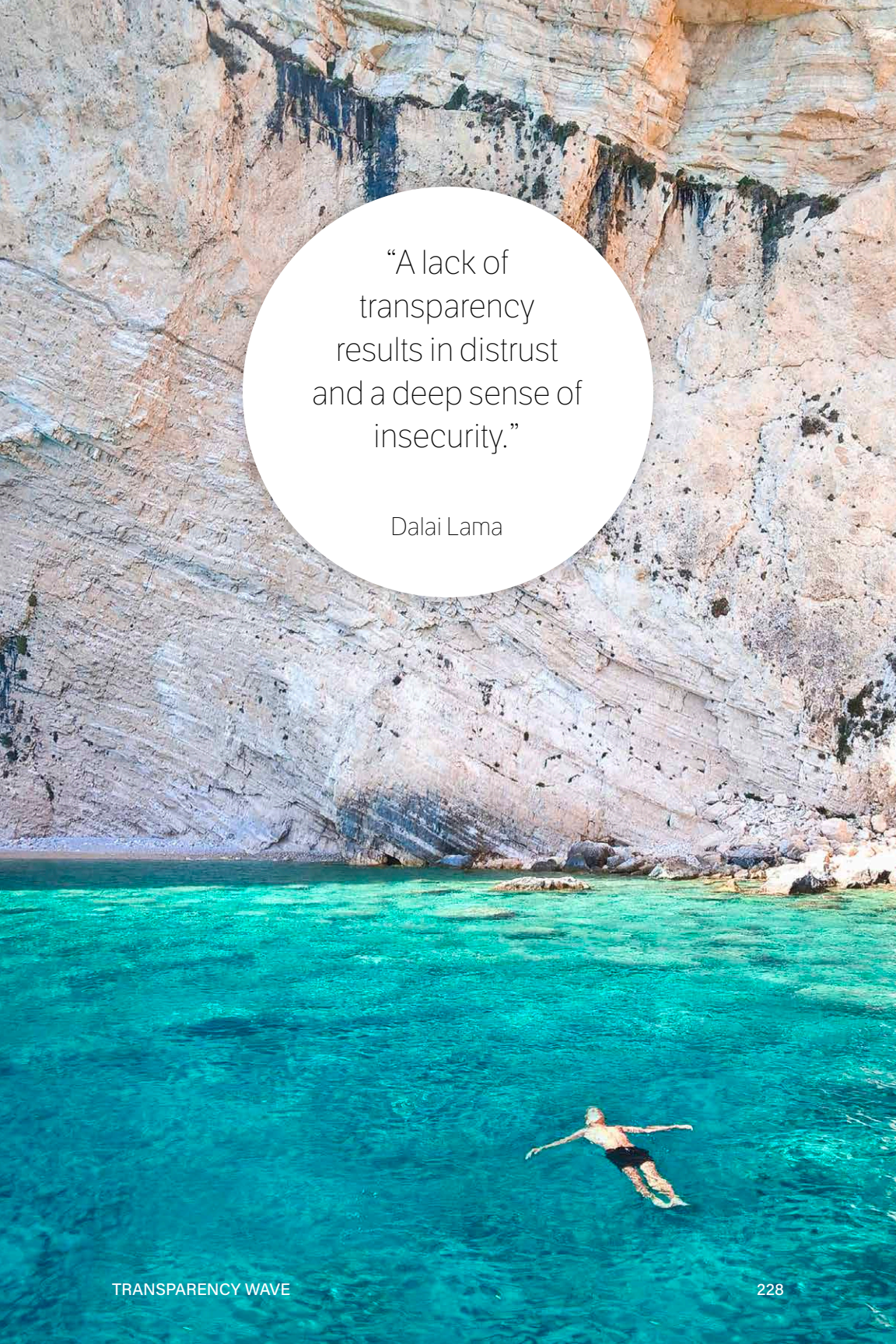
FOREWORD BY SALIM ISMAIL

**PAUL A. PAGNATO**

"Transparency is one of the most powerful trends in business, a force that is reshaping everything from corporate governance to personal privacy. Paul Pagnato shines a light on this trend—and the result is an illuminating, important read."

— **DANIEL H. PINK**

#1 New York Times best-selling author of *WHEN*, *DRIVE*, and *TO SELL IS HUMAN*

A full-page background image showing a person swimming in clear, turquoise water. In the background, a massive, layered rock cliff rises steeply from the water's edge. The cliff face is composed of light-colored, horizontally stratified rock with some darker, possibly wet or shadowed areas. The water is a vibrant turquoise color, and the person is seen from behind, floating on their back with arms outstretched.

“A lack of  
transparency  
results in distrust  
and a deep sense of  
insecurity.”

Dalai Lama

## CHAPTER 16

# Using the 6Ts

As you begin your quest to overcome obstacles, break through ceilings of complexity and improve relationships, slow things down, break apart the various elements and issues in your decision, and thereby reach clarity. The 6Ts of Exponential Transparency were created to help every person and company accomplish these outcomes. The 6Ts enable complex variables and issues to be simplified into a process providing optimal results.

As a reminder, the **6Ts of Exponential Transparency** comprise the following elements:

- |                                 |                           |
|---------------------------------|---------------------------|
| 1 <b>TRANSPARENCY STANDARDS</b> | 4 <b>TRANSPARENT COST</b> |
| 2 <b>TERMS</b>                  | 5 <b>TRUTH</b>            |
| 3 <b>TOTAL ACCOUNTABILITY</b>   | 6 <b>TRUST</b>            |

It's important to remember that each "T" is not equally important in every equation. Sometimes **terms** are the key to unlocking the answer, and



other times you'll need to lean more heavily on **trust** and **transparent cost**. Nevertheless, by checking off each box and assigning it the appropriate level of weight and influence, you can eliminate the “noise” that often complicates solving important matters.

Apply the 6Ts to simple situations daily and soon you'll be able to utilize it to untwist even the seemingly most difficult knots.

Believing wholeheartedly in this process and applying it consistently in my personal and business life, part of my motivation and mission has been to spread the word. On a smaller scale, the 6Ts have been successfully used by many members of my team to overcome obstacles that are gumming up their progress. We start off the process by taking a step back and trying to identify the leading obstacle in their path. After that, we engage in a relatively informal dialogue, and the 6Ts magically assert themselves, typically leading to a resolution. Not only do they operate as a series of checks and balances upon our worst impulses, but they complement each other in a manner that makes their interaction result in progress that's more than the sum of its parts.

What's remarkable about the 6Ts is that you don't need to be a PhD or a quant or a Nobel Prize winner to use them. Not only are they easy to remember, but if you're truly honest with yourself and buy into the process, they're also remarkably easy to apply. In a world of gray, they often lead to black-and-white answers.

While there remain plenty of bad actors, I prefer to focus on the positives. The following is a summary of some “best practices” that I've either implemented or viewed others implement. You've likely been impacted positively by most or all of them.

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**LEARN TO APPLY THE 6Ts TO SIMPLE SITUATIONS ON A  
DAILY BASIS AND SOON YOU'LL BE ABLE TO UTILIZE IT AS A MEANS TO  
UNTWIST EVEN THE SEEMINGLY MOST DIFFICULT KNOTS.**

A large part of the evolution of the 6Ts resulted from my long-term daily immersion in the financial industry. There are so many conflicts, so many failures to disclose, and so many sleight-of-hand tricks to keep the average consumer in the dark that the deck is consistently stacked against anyone not on the inside.

We have a regulatory system in place that tries to address many of these problems, but the fact is that with limited resources and manpower, and headwinds against it from lobbying efforts, it's tough to regulate all the nuances. It seems that someone is always able to find a loophole or obfuscate the true impacts of their actions.

## 1 TRANSPARENCY STANDARDS


EASY TO UNDERSTAND RULES LEADING TO HIGH LEVELS OF TRANSPARENCY.

My response to this asymmetry of information was to create what we consider an ideal **Transparency Standard**. PagnatoKarp led the way with the creation of True Fiduciary® Standards, ten simple and easy-to-understand “rules” that led directly to one of the highest levels of transparency in the industry and removal of many conflicts.

With respect to such standards, Apple is a shining star in the corporate world that all others should aspire to emulate. The world of technology is another playing field in which asymmetrical power and information often lead to bad practices. Companies can, in many cases, access, store, utilize, and sell clients' personal information without transparency or consent.

COMPANIES CAN IN MANY CASES ACCESS, STORE,  
UTILIZE AND SELL CLIENTS' PERSONAL INFORMATION  
**WITHOUT TRANSPARENCY OR CONSENT.**

Administrator  
**PASSWORD:**

<b>1.</b> Embrace the Legal Fiduciary Obligation to Place Clients' Interests First	<b>2.</b> Deliver Comprehensive Financial Planning	<b>3.</b> Provide Fee-Only Advice	<b>4.</b> Do Not Accept Commissions
<div> Transparency Standards  <b>True Fiduciary®</b>    In Your Best Interest. </div> <div>  </div>			<b>5.</b> Receive Only One Source of Revenue: Client Fees
			<b>6.</b> Provide Transparency on Portfolios and Investments
<b>10.</b> Do Not Hold Any Client Assets, Securities or Money	<b>9.</b> Do Not Create Products to Sell or Price Any Public Securities	<b>8.</b> Measure Client Performance Returns Using Independent Third Parties	<b>7.</b> Remain Independent from any Bank, Broker Dealer, Insurance or Custodian

*PagnatoKarp led the way with the creation of True Fiduciary® Standards, ten simple and easy-to-understand “rules” that led directly to one of the highest levels of transparency in the industry and removal of many conflicts.*

In response to increasing concerns and to stay ahead of the curve, Apple created a privacy policy, a set of transparency standards for the access, storage, and utilization of client data. Every Apple product is designed from the ground up to protect personal information. Only the user can access the device. Your personal data belongs to you, Apple Pay transactions are private, and your data stays private. They also took the advanced step of providing a transparency report, which reveals information on government requests received.

## 2

# TERMS

## RIDICULOUSLY SIMPLE CUSTOMER CONTRACT.

As for **Terms** of engagement, which function as the contract with the consumer, it is increasingly important that they be ridiculously simple and easy for anyone to understand. Lengthy disclaimers, small print, unclear pricing models, and legalese may provide a full picture if you have hours to analyze information and the skill set to do it, but those cases are the exception rather than the rule. In this context, simplicity is king.

Almost all of us have taken a taxi at some point or another. It's a necessity in urban and suburban life, and the transaction should be painless and friction-free. Unfortunately, over time the industry complicated pricing policies. Additionally, certain elements of the longstanding model created consumer uncertainty. For example, upon hailing a cab or calling for one, you typically do not know the exact cost of the cab ride, who the driver is, or what type of car will be picking you up. The pricing can vary wildly based on the length of time of the ride, the distance traveled, the time of day, and whether it's a weekday, weekend, or holiday. Different cab companies charge different rates. Different cities charge different rates.

Some cabs take Visa or MasterCard and some only take cash. The cabs that do take a credit card don't always maintain the infrastructure to do so—you arrive at your location without cash, and suddenly the process is at a standstill because the card processor is out of order. Of course, cab drivers always prefer the customer paying in cash, so you're left wondering if the "malfunctioning" machine is a ruse. On a more basic level, you have no idea who is picking you up or if the car is a compact two-door, four-door sedan, or an SUV. If you're a family of four headed off on a ski vacation and a two-door subcompact shows up, there's no way you'll get all your gear inside. Now you'll have to wait for another cab, which may prevent you from getting to your flight on time.



Uber saw this market inefficiency and built a business that is premised upon ridiculously simple terms. With a few simple clicks, the customer knows the exact cost of the ride and can make a seamless payment with no cash needed! Not only do you know your driver's name, but you have access to a great deal more information about them, including how many trips they have made and what prior riders' experiences have been. The customer knows the license plate number, make, model, and color of the car picking them up.

### 3

## TOTAL ACCOUNTABILITY

HIGH QUALITY GOVERNANCE. DEFINABLE CONSEQUENCES.  
ADHERENCE TO STANDARDS AND TERMS.

Quality governance and operations are only possible and likely when operating within an ecosystem demanding **Total Accountability**. Companies and employees need to be held individually and collectively accountable for adhering to the transparency standards and terms that have been created. If there is complete clarity about the consequences of a failure to adhere to the standards and terms, then there's never any question about how, when, or why to act.

A prime example of this can be seen in everyday grocery shopping. For decades, there has been minimal accountability and transparency among growers, wholesalers, and retailers of food. For a long time, it was unclear when you bought a tomato, or an apple, or a piece of meat if it was genetically modified (GMO), if pesticides were used, or whether the working conditions of the farmers were humane. You had no way to discern whether sound and conscientious ecological practices were





followed. You transacted for that food, but its backstory and heritage were a black hole.

Once again, that vacuum was filled through responsible capitalism. Companies like Whole Foods have taken total accountability within the grocery food industry to a whole new level. They have created a 28-page supplier manual providing complete clarity on the terms, processes, and other criteria by which all vendors are held accountable. The manual is called “Responsibly Grown” and has a detailed rating system for every supplier and every product sold. In turn, the rating system provides transparency for consumers on soil health; air pollution impacts; energy impacts; climate impacts; waste-reduction practices; pest management; ecosystem details; biodiversity efforts; water conservation steps; and even the well-being of the farmers and the people working for the suppliers. Suppliers must adhere to a detailed ten-step process before being considered by Whole Foods. Every supplier must meet transparency and traceability standards, they must share detailed supply chain information, and they must commit to industry-driven traceability initiatives. Furthermore, all products must comply with clear standards for food safety, social accountability, and other factors related to food quality and environmental impacts.

THE 6Ts  
APPROACH  
REQUIRES THAT  
ALL COSTS BE  
SUMMARIZED  
IN TOTAL AND  
**EASY FOR  
ANYONE TO  
UNDERSTAND.**

## 4

## TRANSPARENT COST

COMPLETE AND TOTAL COST. NO HIDDEN FEES. SIMPLE TO UNDERSTAND.

The value of **transparent costs** should be self-evident, but as consumers we frequently accept the notion of hidden fees or charges that make an item cost substantially more than the expected price. Some businesses rely on these opaque costs to pad their bottom lines.

In contrast, a 6Ts approach would require that all costs be summarized in total and easy for anyone to understand.

Anyone who owns a home knows that the purchasing process can be nerve-wracking and fraught with uncertainty. That kind of stress makes what will likely be the largest single purchase consumers make in their lifetime even more stressful.

Unfortunately, as it has existed for decades, the reigning model makes understanding the real costs of purchasing your home exceptionally challenging. You may see a big round number listed on the initial advertisement or the eventual offer sheet, but when it comes time to cut the check, suddenly it increases substantially.

Where do all those add-ons and “necessary” fees come from?

The cost maze of buying a home starts with the real estate agent. Most people need a real estate agent to help find the home with the features they desire. Furthermore, the existing system provides a form of friction to doing it yourself—sometimes a real estate agent is the only means by which a prospective buyer can see inside a particular home.

Real estate agents may be very helpful, but they aren’t doing this out of the goodness of their hearts. They are paid a commission upon the sale of a home, which means the only way they receive compensation is if a home is sold. Different real estate agents charge different rates of commission. When you sell, they take that rate off the top. If you’re the buyer, it doesn’t cost you directly, but those commissions are likely built into the cost of the home so, in effect, you are paying too.



Of course, it's rare that a home is sold for the listing price. You might want to hold out for a price that's \$10,000 more in either direction. Your realtor may consider "one in the hand" to be more valuable than a sale that might get delayed or canceled, so they push you to take the amount on the table, perhaps to your detriment. Who are they working for at that point?

Next, the buyer has to figure out the costs for various forms of insurance. Most times these insurances are required to borrow money to pay for the home, so the consumer really doesn't have a choice, but they are never factored into the home listing price. Examples of insurance include title insurance and Private Mortgage Insurance (PMI). The consumer then has to determine the costs to obtain a loan to pay for the property. Most loans have something called points. The mortgage industry uses the terminology of points versus commissions, further confusing the consumer. The points (costs) paid to obtain a loan are also not factored into a home's listing price.

Remember that home you planned to pay  $x$  amount of dollars for? Suddenly  $x$  has grown substantially. Increasingly, educated consumers are demanding greater transparency about what  $x$  really means.

## 5

## TRUTH

OPEN, ACCURATE, DATA-BASED COMMUNICATION OF FACTS.

Implementation of all of these depends heavily on **truth**, the ability to openly and accurately communicate the facts. Any entity that fails to do so risks alienating both clients and employees.

### **So, what are the signs of a truth-based organization?**

It's one that tends to be data-based, open, and factual with communication. Organizations like Starbucks and Glitch openly share their employees' compensation. Google's employees openly share their salaries on a posted intranet spreadsheet. It's not necessarily an easy transition to make, but it's the right one in most cases.

Prior to Netflix launching streaming videos, consumers did not know what movies would be available, what the rental costs would be, or when they would need to return the movie before incurring late fees at their local Blockbuster video store. Netflix now has 140 million users streaming their videos with complete truth on the availability and cost of any movie. Blockbuster? For that and other reasons, they're effectively gone.



## TRUST

COMPLETE CONSUMER LOYALTY. EXPONENTIAL TRANSPARENCY.

**Simply following the five preceding Ts is a direct roadmap to complete consumer loyalty and trust.** Exponential transparency and trust go hand in hand. Think of each “T” as a building block, one placed on top of another. Each step in the transparency process is essential, each step builds upon those prior to it. As a result, each step leads inexorably to trust. If a company is experiencing a lack of employee or customer trust, one or more of the exponential transparency steps is missing. Reverse engineer where you have a gap and you can shore up the process, which in turn will lead to success.

As previously mentioned, The Vanguard Group is a beautiful example of flawless execution of the first five steps. Jack Bogle founded the company in 1974 and created the world's first index mutual fund in 1975. He relentlessly pursued exponential transparency for investors and the financial services industry more broadly, creating a set of transparency standards to help explain to individual investors their huge advantage over active management. Today, index funds make up most exchange-traded funds (ETFs) and provide complete transparency on every investment. Investors can buy and sell ETFs online at most major banks and broker-dealers without paying a commission. Shareholders always know exactly what they own.

Bogle created terms that were ridiculously easy for an investor to follow. He demanded total accountability across the board from every



employee at Vanguard. The company and all employees have oversight and are heavily regulated by the Securities and Exchange Commission (SEC) and would be subject to penalties for violating SEC regulations, but Bogle insisted that they hold themselves to a higher standard.

Transparent cost prevails with every ETF created at Vanguard. The investors know exactly what the costs are before, during, and after making an investment. These costs can be found with a few simple clicks online or by speaking with a Vanguard representative. The costs are also transparently disclosed and easy to find in their brochures and literature. Jack Bogle instilled a culture of openly and accurately communicating the facts about every investment created at Vanguard, and the result was a culture of unvarnished truth. Whether you are an employee working at Vanguard or an investor, you always feel that there's a clear set of unbiased facts in front of you.

After decades of following the five core building blocks of exponential transparency, the company's brand is synonymous with trust.

After the horrors of the last recession, the general public's trust in the financial services industry remains tenuous. In direct contrast to that reality, Vanguard has experienced exponential growth in the same intervening time period amassing more than \$5.3 trillion assets under management.

## CLEARLY, FOLLOWING THE FIRST 5Ts TO ATTAIN THE 6th IS A RECIPE FOR SUCCESS.

I've chosen easily understandable examples in this chapter to help you understand how this process relates to every aspect of your life—from the most basic to the most complicated. When you find yourself at a crossroads, unsure of what to do, this is the road map to reaching the right conclusion.

# QUESTIONS TO ASK ABOUT EACH "T"

## 1 TRANSPARENCY STANDARDS

- What is the #1 transparency issue in your industry or company?
- What conflicts exist that can be removed by a transparency standard?
- What items are opaque, vague, or not clear to your clients?
- What is the entity or universe that demands a set of standards?
- How many standards are optimal?
- How can the standards be crafted in a manner that is easy to understand?

## 2 TERMS

- Is the client contract ridiculously simple to understand?
- How many pages is the client agreement form?
- What medium is the contract—digital or hard copy?
- Is the client agreement form protecting the client or the company?
- How are complex terms explained simply?
- How can you “front load” the terms so that all parties are aware of them in advance?
- Is full disclosure being provided and easy to understand?

## 3 TOTAL ACCOUNTABILITY

- What are the employee and company repercussions for not adhering to the standards?
- Are the repercussions individual or collective?
- What third-party regulator is holding the company accountable?
- What company officer is holding employees accountable?
- How can parties entering into a transaction be fully aware that they are dealing on a level playing field?

## 4 TRANSPARENT COST

- Are costs ridiculously simple to understand?
- Are total client costs given in one number?
- Are all costs disclosed up front?
- Is a total provided that incorporates all costs?
- How can middlemen be eliminated?

## 5 TRUTH

- Is transparent data provided to clients?
- How can decisions be reduced to data?
- Is the client value proposition quantified?
- How can data be shared without alienating parties?
- What are the best methods for conveying information in an unbiased fashion?

## 6 TRUST

- How do the first five Ts interact to build a culture of trust?
- Which of the first five Ts are most critical to a given decision?
- How do you work to build a culture of trust every day?
- Do employees trust the company?
- Does the company share data and best practices with peers and competitors?
- Does your decision-making process seamlessly incorporate the 6Ts?

The world is getting more complicated and failure to change with the times will leave you behind, but by applying the 6Ts, you can stay ahead of the curve and ride the exponential “bend of the hockey stick”—the Transparency Wave—to levels you would not have thought possible before.

**TRANSPARENCY CHANGES EVERYTHING !!**

# PERSPECTIVES

## CHAPTER 16 | USING THE 6Ts

**trust**

/trəst/

firm belief in the reliability, truth, ability, or strength of someone or something.

### 6Ts of Exponential

### TRANSPARENCY





## WHY IT MATTERS:

- Transparency will improve all aspects of one's life—social, business, health, and financial.

## ADVICE:

- Utilize the 6Ts as building blocks of trust, each exponentially building on the next.
- Ask others to hold you accountable.
- Companies thriving today are data-based, open, and factual with communication.

## TAKEAWAYS:

- Create transparency standards that are easy-to-understand rules leading to high levels of accountability.
- All humans have the ability to be transparent.
- Fear is the #1 obstacle to transparency.

## ACTION STEPS:

- Block off time to create transparency standards to maximize your greatest opportunities.
- Utilize the 6Ts to develop your three pillars of longevity: 1. Financial Well-Being 2. Mobility 3. Social Engagement.
- Challenge your organization by asking transparency questions that facilitate deep thinking and dialogue.