

BankNews

The Magazine for Bank Management Teams

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Wealth Management

INVESTING IN THE FUTURE OF YOUR COMMUNITY BANK.



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PLUS
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Weather Management

Investing in the future of your community bank.

By Rick Dahl

Factors are converging, forever changing the banking landscape. Financial institutions face increased competition from online banks, and behemoths like Walmart and Amazon are getting into banking. Advice is commoditized while branch locations and boundaries become less important, even as fiduciary pressure increases.

Industry changes are prompting many to rethink offerings and service models. Where before community banks may have targeted a modicum of consumer needs, today they look to develop next generation customers, build stronger relationships and deepen ties so customers don't go elsewhere.

Checking, insurance, loans and investments comprise the "wealth wallet" of individuals in the United States. But when these consumers reach their 40s, the bulk of their financial needs shift from checking/savings accounts and loans — traditionally offered by regional banks — to investing for retirement, where many banks still don't offer services.

The benefits of offering investment programs at regional banks are numerous. Investment programs enable firms to help consumers prepare for every life stage, in addition to providing non-interest income to diversify bank holdings.

Offering investment services helps build relationships and customer loyalty "stickiness."

As seen in...

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Customers using investment services tend to have longer, deeper relationships with banks, in addition to involving their children through various savings and college funding accounts. Average checking account balances with banks (and credit unions) are 1.4 times higher for customers who also purchased an investment with them, and savings accounts are 2.4 times higher, according to Kehler Bielan in “The Value of an Investment Client to a Bank or Credit Union.” These customers are also more likely to use other services — credit cards, mortgages, home equity lines, vehicle loans. Additionally, Federal Reserve Board studies show that for every dollar a bank or credit union client has on deposit with the institution, they have \$4-\$5 invested in retirement accounts, stocks or mutual funds.

Community banks are in a good position to offer customized investment programs that address their customers’ specific levels of wealth complexity, preferred delivery channels and product sets. These institutions can more effectively compete by packaging tiered services to address specific needs of low-net-worth, to mid-market, to high-net-worth customers versus “one size fits all.”

Reasons for Investment Programs

Providing a strong level of service is a common reason many banks decide to offer investments. This was one reason First American Bank and Trust, a retail, consumer and commercial lender in Louisiana with \$880 million in assets and 24 branches, decided to start its program nearly 15 years ago.

Similarly, Iowa State Bank — with \$375 million in assets and the tagline “It’s Nice to be Home” — wanted to expand beyond the fixed annuities it was offering. It made a conscious decision to perform due diligence on its existing program, reviewing four alternatives when its previous broker-dealer was sold.

“At Iowa State Bank, we have been locally owned since 1941,” said Program Manager Karen Serangeli.

“For more than 23 years we have received the highest achievement rating from the FDIC for community reinvestment, proof of our commitment to the citizens of metro Des Moines. We are a financially stable, family owned bank, focused on local decisions,”

ISB chose Sorrento Pacific Financial in December 2017, citing its long history of service to financial institutions, excellent compliance record and tech offerings. The bank has already brought in over \$8 million in new assets in six months.

Smooth Set-Up/Conversion

Whether starting new or moving an existing program, set-up and/or conversion can be daunting. But it doesn’t have to be that way. Iowa State Bank was able to repaper its entire book in two months using SPF’s technology tools.

Community banks should look for providers that offer a dedicated conversion team, a systematic plan, regular communication and technology to speed processes. These banks need to be in regular contact with their broker-dealer, so it is important to ensure it’s a true partnership with high-touch service.

Flexible Models

For more than 30 years, community banks have worked with broker-dealers to offer investment services. Several models are available:

1. In a managed program the broker-dealer employs and manages advisors.
2. In dual programs both program managers and advisors are employed by the bank, although they are licensed and supervised by the broker-dealer.

Both ISB and First American operate as dual programs. ISB has a producing manager, one full time financial advisor and one registered sales assistant. First American Bank has two licensed reps and an assistant.

3. Hybrid programs, with program managers employed by the broker-dealer and potentially



managing several programs, are often attractive to banks migrating from dual to managed, or vice versa, or needing to temporarily have a broker-dealer provide management services.

Structural models should be customizable and flexible and enable banks to move from one to another as needs change.

Technology With an Eye to the Future

Technology is a major factor in selecting a broker-dealer. Bank executives should look for data analytics and reporting, flexible mobile options and clean, efficient, easy systems to increase advisor success. Home banking platforms should be fully integrated, enable single sign-on, paperless workflow and the ability to manage portfolios, and perform account opening and portfolio planning online.

Iowa State Bank was partially drawn to SPF's robust offerings including:

- dataVISION, an electronic, web-based, paperless account management platform simplifying administration, client communication, sales and reporting.
- Financial Management Center, an interactive online investment assessment widget that leads the customer through questions to provide a snapshot of where he or she stands with investment goals, helping to drive online referrals to advisors.
- MyPortfolioView, online and mobile access to real-time portfolio data for clients to manage investments.

"We want to use tools and resources that will attract younger generations," says Serangeli, "so digital investing platforms and remote technologies, as well as increased communication methods like mobile and texting, which SPF is adding, are exciting."

First American Bank also uses dataVISION analytics to segment business and identify revenue opportunities, says Frank Smith, registered representative with SPF.

Smith and his team especially appreciate being able to integrate seamlessly with industry products such as

MoneyGuide Pro "goal-based" planning and Albridge Wealth Reporting.

Invested in Your Institution

Direct access to people it knows and trusts, and who offer immediate assistance, are reasons Smith says First American Bank and Trust has continued to work with Sorrento Pacific for almost 15 years. Smith and other representatives regularly attend training and conferences offered by the broker-dealer. "Besides getting the latest updates and interacting with other advisors, we discover best practices we can integrate every year," he says.

Look for a broker-dealer to be invested in your success, with tools to expand business, best practice checklists, customized marketing and business plans, production study and forecasting tools, and marketing and sales consulting included.

Compliant

Lastly, look for a broker-dealer with a clean record that meets FINRA testing and compliance requirements. You take pride in running your bank in a compliant manner. It is important for your broker-dealer to share that same philosophy.

This year Iowa State Bank hopes to grow its program by 10-15 percent, as it continues to focus more on full-service investment offerings. First American Bank, with \$120 million in assets under management, plans to hire more licensed reps and offer more financial planning services.

Whether a first-time or an evolving investment program, the right broker-dealer can help banks offer the best in investments, technology and service to support customers, build loyalty, engage the next generation of customers and thrive for the long-term. **BN**

Rick Dahl is chief compliance officer at Sorrento Pacific Financial. After gaining valuable experience as a registered representative, he has held several executive-level positions for Sorrento Pacific Financial. He can be reached at rdahl@mybd.com.