

IF YOU WERE TO HAVE ONE BUSINESS BUNDLE

by [Steve Brown](#)

As people watch the value of their 401k plunge and their dreams of a retirement villa in Tuscany turn into visions of a shopping cart in San Francisco (our city's motto "We love all homeless"), marketing a financial advisory message can be beneficial to community banks.

In particular, when a business wants to talk about opening a checking account, they really want to establish a banking relationship. That gives bankers an opportunity to sell many products. In repeated focus groups we conduct, it is clear that bank customers prefer bankers suggest multiple products instead of a single solution. This is a good thing, since banks increase retention and profitability in this manner as well. A question that came up the other day by a banker asked our opinion of what we felt was the best combination of products and services? While that is a little like asking someone the best place to retire, we do have some ideas on the subject culled from relationship profitability and Liability Coach work we have done with clients.

The delicate balance between cost, pulling in the most deposit balances and customer satisfaction meets its cross roads in what we will term as the "Total Solution Account Bundle." Banks looking for the most profitable account bundle available that bring in the most balances might want to consider this package. Please keep in mind that this bundle is for an average bank, so it must be tailored to meet an individual bank's capabilities, demographics and market competition.

The Total Solution Account Bundle, at its heart, is a business checking account that utilizes our Dynamic Sweep product. Through this set up, funds can be swept either "on" or "off" the balance sheet to meet funding needs within a certain cost of funds limit. Taking the lowest cost money first, money is swept to a money market account on balance sheet. Customers that require a higher interest rate, get their money moved into an "AAA" rated money market mutual fund paying up to 2.60%. The money fund can also be in Treasuries, making it an excellent place to park nervous money given this environment.

The checking account can be opened with a minimum of \$50 and a \$20 monthly fee can be waived for balances over \$20k in combined accounts. Account holders should be allowed up to 250 checks, debits, deposit items and credits free a month. After that, there is a 0.35 charge per item. The package should also deliver free online banking/bill payment, reduced rate remote deposit capture (50% and a free scanner), Quickbooks integration, free night/coin/deposit deposit services, free business check/debit card with rewards, imaged checks, 2 free stopped checks a month and e-statements. To make this an elite or customized package, banks should increase the number of free items, like ID Theft protection, courier, notary, safe deposit, lockbox and other items.

This package is good, but there are ways to make it better, particularly if your bank targets both business and retail accounts. By bundling this account package with a series of "mini-account packages" targeted at the employees of the company (at least 5 individual accounts is usually required), profitability is close to doubled. In other words, as an added bonus (or a requirement) the employees of the target business customer are offered free personal checking and savings accounts at a reduced rate. The tactic of aligning personal interests with corporate interests is powerful and tends to result in a deeper business banking relationship.

While there are many profitable business-oriented banking packages, something close to the Total Solution Account Bundle is one of them.

We will be discussing the subject of creating profitable account packages more in-depth at our next High Performance Banking Conference Coming up in Amelia Island Florida on Sept. 17th and 18th. If you are interested, contact us for a brochure. Until then, happy bundling and good luck with the 401k.

BANK NEWS

Citigroup Earnings

Following decent earnings reports in prior days from JPMorgan and Wells Fargo, Citigroup announced it too had performed better than expected by posting a \$2.5B loss. During the 2Q, the bank reported \$11.7B in writedowns, which included \$3.5B in subprime mortgages, \$2.4B tied to bond insurers and \$4.5B related to consumer banking. In addition, the bank fired 6k as it moved to cut costs.

Industry Shift

Following suit with the larger banks, Mercantile Bancorp (\$2.1B, MI) said it will cut its dividend by 50% in an effort to preserve capital. The bank said its 1st priority was to preserve capital amid ongoing challenges facing it and the banking industry. We would expect other community banks may follow with similar announcements in coming quarters.

Merrill Earnings

Merrill announced its 4th quarterly loss in a row in 2Q, as the nation's largest brokerage firm lost \$4.9B. During 2Q, Merrill took a \$4.8B writedown on its mortgage portfolio, a \$2.9B hit related to downgraded bond insurers, a \$1.7B writedown on its investment portfolio of financial institutions and a \$348mm writedown on leveraged loans. In addition, the company fired 3,100 employees as it moved to further cut costs.

Discount Window

Commercial banks increased primary credit borrowing by nearly a 25% this past week to \$16B. On the flip side, investment banks have not borrowed from the Feds primary credit facility for 3 continuous weeks.

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