

## TAX MAN COMETH, ARE YOU READY?

by [Steve Brown](#)

As we wrap up December, we have just a few short weeks left to make last minute tax moves. If you are not in the know, these "tax moves" are almost as dangerous as dance moves, because if you do them the wrong way, you look really stupid and in egregious cases can end up in handcuffs. The best anyone ever does for us is to send us those tax planning brochures. While helpful, we are always so overwhelmed at the end of the year that we rarely have time to implement any of these strategies. We are sure there are families out there buying \$11k worth of eyeglass cases to get above their AGI, but that is just not us. We wish our professionals would take a more proactive stance in helping us navigate April 15th.

By taking more of a thought leadership role, bankers can similarly grab more deposits. Retail banks, in particular, can boost balances by marketing programs around tax refunds. The IRS now allows taxpayers to direct deposit their refund into as many as 3 financial institutions. Some wily banks have found ways to make it easy for customers to have all 3 going to their financial institution instead of elsewhere. In this manner, taxpayers will not have the option to send monies to other non-bank financial institutions, such as brokerage accounts or mutual funds and will be able to keep a larger share of deposits.

A successful marketing campaign would include education and access to Form 8888 (which allows for the transfer of funds to multiple accounts). In addition, banks might incent their customers to deposit funds in a combination of IRA, savings, checking, money market or bank investment accounts. Offering to match funds (say up to \$25 per account), giving gift cards away if you utilize all 3 accounts or a free enrollment into a VIP "savers club," are all ideas that banks have put into practice over the years. Tax time represents one of the best times to capture funds, as financial issues are highly topical & anxiety is deep.

Another effective product is a "goal setting account." Here, customers are encouraged to save their tax refund for a long-term goal. The account (or sub-account if you have the online capabilities) is interest-bearing and gets a name such as "Italy," "College" or "New car." The account holder registers the goal and once reached, the bank credits the account with a bonus amount for achieving the milestone. Minimum time would be 12 months, with a minimum amount of \$500. Popular goal-oriented accounts currently have a rate of around 0.53% with an extra 1.20% paid upon the achievement of the final goal. Since the goal amount is often exceeded in the account, is never reached or the goal takes longer than 12 months, the average adjusted cost to the bank is an estimated 1.25% in the current environment. By combining this type of account with tax education, this can be an effective tool to gather both retail and small business deposits.

Get a jump on taxes this season, by brainstorming ways to gather deposits via tax refunds and helping educate your customer base. While we hate to pay taxes, we feel it is our sincere patriotic duty not to go to jail, so we are always looking for someone to help us with our next "tax move."

## CUSTOMER RETENTION

At BIG, we have developed a predictive model to help banks identify which customers could leave and why. We will present some of our findings today via a webinar at 11am PT / 2pm ET. In addition to

highlighting the precursors of customer defection, we will also discuss tactics that successful banks employ to help keep customers happy and faithful. To register click:

<https://bigevents.webex.com/bigevents/onstage/g.php?t=a&d=806479694>

## **BANK NEWS**

### **TARP**

Treasury Sec Geithner told Congress that the Treasury will extend the \$700B rescue program until next October in order to keep a support cushion should banks run into further problems. Additionally, some of this money may be used to jump start the securitization markets.

### **Loan Mods**

Under the Making Home Affordable Program, of trial modifications, only 6% turned permanent. By the numbers, nearly 50% the trials were short of sufficient documents, 33% had necessary documents but have yet to become permanent, 11% with extensions were canceled and only 6% are on track for adjustment.

### **CMBS**

Given all the fear in the commercial real estate market as of late, we were happy to see Bank of America sold \$460mm in CMBS without government support of any kind at a rate just 0.15bp higher than expected. This is good news given the refinancing overhang in the market coming due over the next 3Ys.

### **Bonus Tax**

The UK Treasury imposed a 50% tax on banker bonuses with threats of increasing the levy after election next year. This is a political 3-fer: Lash out at unpopular bankers, help the deficit, and create an issue that politicians can take in more lobbying dollars by tying the issue to the election.

### **BofA**

Contrary to expectations, the Bank concluded its Dec. board meeting without an announcement of a new CEO.

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