

CHILD LABOR AND THE BUSINESS SAVINGS ACCOUNT

by [Steve Brown](#)

It must be a sign of the times. A recent survey of small business owners found almost 25% lamented they were forced to hire their kids after college, because the kids couldn't find gainful employment anywhere else. We empathize, because if they are anything like our kids, these could be some of the most unproductive workers on the planet. Like the subprime mortgage mess, this is a problem of our own making. We give them free room and board, plus throw in an easy to get job. Who wouldn't want that gig? To counter, we suggest taking steps to prevent your children from moving back in with you. Walking around the house wearing just your underwear is one sure way to scare the kids straight and get them to hit up the Burger King in Topeka for work.

Next to hiring their kids, another major lament of small business owners is the lack of suitable business checking accounts at their banks. We agree, as banks have traditionally put little energy into this product, despite it being one of the most profitable in the line-up. For example, most community banks do not give their business customers the ability to waive fees (the average monthly fee is about \$10 per month) and those that do, only do so through having a balance requirement. This is an oversight, as allowing other options to waive fees, such as depositing funds in a related account or having a minimum number of signature-based debit transactions (we suggest 20), can serve to boost profitability by 5% or more and generate greater fee income.

The other new trend that may pay dividends for community banks with business checking is instituting a rewards feature, such as a cash-back attribute. For example, pair the checking account with a "rewards debit card" and allow small businesses to earn up to 1.0% cash back for signature-based transactions for a period of time. This gets customers thinking about using their debit card more often which not only generates fees, but also results in higher balances. Some community banks have taken this a step further and offered greater rewards for purchases at selected merchants that the bank has partnered with. Restaurants, office supply, equipment rental companies or dry cleaners are all examples of retail businesses that can be brought into a local network to help in the joint promotion of business. Negotiating discounts at these merchants to pass on to bank customers will drive business to them, while generating more debit card usage for the bank.

Making the business checking account more productive is a whole lot easier than keeping your kids productive. By utilizing bundling methods, community banks can increase profitability from an average of 2.2% of balances to 2.6%, a gain of more than 18%. More important, banks can move to a more diversified and less interest rate sensitive income stream, while promoting habits that increase profitability down the road.

As for those kids that boomerang on you and expect to get their room back, along with a new job, our final tip is to plan ahead. The next time your kid goes off to college or leaves the house, make their bedroom a little less comfortable by turning it into a walk-in freezer or a storage spot for used car parts.

BANK NEWS

Compensation Guidance

Regulators issued guidance on incentive compensation, emphasizing that all banks, regardless of size, should structure compensation with deferred or portioned payments over time for those with jobs that pose a material risk to the bank. Regulators are looking for banks to better identify employees or groups that expose the bank to material risk; make incentive compensation more risk sensitive; defer incentives according to the type or duration of the risk; and have mechanisms in place to evaluate whether established practices are successfully balancing risk. Regulators plan to conduct cross-firm, horizontal reviews of incentive compensation practices at the large, complex banking organizations for employees in specific areas and are also working to incorporate oversight of incentive compensation arrangements into the regular examination process for smaller banks.

Bank Fraud

The latest ABA data finds 80% of banks reported check fraud losses in 2008, about the same level as 2006. Meanwhile, 41% of check related fraud losses at community banks were due to counterfeit checks, so be aware out there.

Comerica

The Bank has the highest cash rewards program that we know of (not to say that the account is profitable), offering a \$300 bonus if a Premier customer opens an account with at least \$2,500 and uses bill pay and direct deposit.

Social Networking

A study of social media usage finds 80% of those surveyed visit social networking internet sites several times a day. By social networking site the study found the top ones were Facebook (50%); MySpace (22%); LinkedIn (14%) and Twitter (12%).

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