

TOOTH FAIRIES AND BANKING

by [Steve Brown](#)

A wacky annual poll conducted by Delta Dental asks kids how much money they get under their pillow from the Tooth Fairy. In 2010, the average was \$2.13, but so far this year, it has jumped to \$2.52 - an 18% increase. No one is too sure what drives the Tooth Fairy to leave more money, but dentists say it could very well be the soaring price of gold (and gold fillings). We aren't sure either, but suffice it to say the under 8 crowd could be a new and untapped market for community bankers to target as new customers given the uptick. Heck, if the pace continues unabated for the next 6Ys, bankers would have collected a whopping \$5.77 in new deposit balances for each account landed. Start stocking up on candy in the branches and the sky's the limit. Speaking of leaving money under the proverbial pillow, community bankers might be interested to know that a J.D. Power survey finds the percentage of customers who prefer using a branch as their primary method for transacting with their bank fell from 36% in 2009 to 29% in 2010. Meanwhile, the same survey found those who said the internet was their primary transaction method increased from 45% to 51% during the same period of time. Clearly, people like the freedom of going online whenever they want to do so and having important online capabilities have grown even further in importance. That could be one reason why the main page of Bank of America's online access portal this morning is running a huge splash banner inviting people to pay bills online; while elsewhere on the page there is an ad for text alerts and promoting the fact that the Bank was rated #1 online for the 5th year in a row. That brings us to another discussion on mobile banking. A survey by the Nielsen Company finds mobile banking users maintain 33% higher average balances and have a 21% higher net worth than average customers. While many banks don't need more deposits right now, having a strategy to capture these customers is something that could help funding levels in the future, once rates begin to rise. A quick look this morning at the small business portal at JPMorgan Chase finds yet another banner advertisement pushing online banking and links to ChaseMobile telling small business customers they can manage their finances any way they want for free; pay bills and credit cards; transfer between accounts; send wire transfers; find branches and ATMs; see account balances and transaction history; see credit card and debit card rewards information; and get quick text updates about all kinds of things. These large banks know through their own research that (as the Nielsen study points out) higher net worth people like flexibility that mobile banking affords. They also know that growth in this product is strong, as studies such as one by Deloitte, project US households with more than \$1mm in wealth will rise from 10.5mm to 20.6mm in 10Ys. Capturing these dollars is a critical strategy of the largest banks, one key reason why mobile banking and online banking are featured so heavily on their web sites, flashing ATM screens and in branch posters. Finally, we leave you with the results of a study from Fortner, Bayens, Levkulich & Garrison on social networking. While 72% of banks still don't use any social networking sites; 61% of employees who work at banks use Facebook for personal use, 34% use LinkedIn and 22% use YouTube. For the group of banks that were using social networking, when asked what they were trying to achieve, the most popular response (at 61%) was "marketing the bank." That was followed by 38% who said "attract new clients," 38% said they had "no idea," 15% were "trying to keep up with the competition" and 8% were using it to "find new employees." As can be seen from this discussion, from time to time when you reach under the pillow in banking, you can be pleasantly surprised by what you find.

BANK NEWS

Bank Earnings Projections

Many banks are adjusting their 2H earnings projections down an average of 6% due to the flattening of the yield curve, lower expectation for loan growth and slower GDP.

LCR

Several large banks are starting to push back against Basel III's liquidity coverage ratio. Rumored to be in the works is a white paper sponsored by several large banks to go to Basel about its negative impact on bank's earnings with little reduction of risk.

More Prepaid

The Fed reports prepaid card use jumped 22% from 2006 to 2009, the most recent period available.

401(k)

A recent Fidelity Investment report shows the average balance of Americans' 401(k) retirement accounts at the end of March was \$74,900. That may sound a little light, but that is the highest level recorded by Fidelity going back to 1998. For Americans 55 years or older who have been saving for 10 years, the figure is \$233,800.

Long-Term Unemployed

Money magazine reports the percentage of unemployed people who have been out of work for 27 or more weeks is currently 45.5%, up sharply from the 16.9% level of 2008.

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