

## CROSSED ARMS AND BABY BOOMER OPPORTUNITY

by [Steve Brown](#)

People cross their arms for all sorts of reasons. These can include: a feeling of comfort; habit; discomfort; a sign of authority; insecurity; anger; because they are uncomfortable with their appearance or reserved; or because they are trying to hide something spilled on their shirt. There are lots of reasons for sure, but one interesting fact that surfaces from research is that about 70% of people will cross their left arm over their right one (although no one is too sure just why). So, if you are trying to figure out why someone you are talking to has folded their arms across their chest, consider the context first and then roll through the options we have provided above to help narrow the alternatives into the one or two that make the most sense.

We put a lot of thought and analysis into the community banking world, because that is where our business and passion are focused. After reading an article on the baby boomer generation recently, we got thinking about the impact to community banks. The article pointed out that baby boomers appear to be a charitable bunch indeed.

A survey of baby boomers was conducted by U.S. Trust and it uncovered that about 55% felt it was important to leave a financial inheritance to their children or heirs. That compares to about 75% of those with over \$3mm of investable assets. Overall, 75% of baby boomers said they felt a responsibility to be philanthropic vs. 67% of older respondents and 53% of the younger generation. This data indicates the boomer generation is about 2x as likely to give money to charitable causes than to let it go to their children. For community bankers with baby boomers as customers on both deposits and loans, this is something to understand because it can be impactful to your business in the years to come.

To get ahead of this, one suggestion we have is to try to keep the money inside the bank. To do that, you might want to offer targeted savings accounts for specific charitable causes. You can assist the customer to automatically move monies over to the accounts of identified charities on specific dates or when certain thresholds are met, for instance. This can also help you identify the nonprofit charitable organizations your customers most want to help so you can target them as customers yourself. Getting the nonprofit to open an account at your bank to assist this transfer is in their interest and in yours, since such accounts can be quite profitable as well.

Next, since you now know Junior won't be getting everything, you can split your marketing time between the children of your baby boomer customers and the nonprofit charities they may wish to support. Perhaps suggesting they divide their money between these two groups (in targeted accounts or otherwise), could make sense to your customer and give you a better idea of what they are planning. That will give you more opportunity to cross-sell, as you impress upon Junior and the charity the value of having a relationship with your community bank. It could help you capture these new relationships by leveraging existing ones.

These are challenging times, but hopefully our subject this morning not only gets you thinking about your customers and their habits, but also moves you to develop a plan of attack to retain their deposits and loans. People are living longer and studies show baby boomers aren't yet interested in

quitting their jobs, so you have time. Acting now, though, can help ensure you retain more of their wealth within your four walls than your competition can capture from down the street. Good luck and to increase your odds for success today, be sure to uncross your arms and smile broadly when you approach your customers.

## **BANK NEWS**

### **M&A**

Penns Woods Bancorp (\$805mm, PA) will acquire Luzerne Bank (\$306mm, PA) for \$44.5mm in cash and stock.

### **M&A**

CME Group, which owns the Chicago Mercantile Exchange, the Chicago Board of Trade, and the New York Mercantile Exchange will buy rival the Kansas City Board of Trade for \$126mm in cash.

### **Major Competition**

Large private equity firms are raising billions of dollars as they gear up to lend directly to mid-sized businesses in the U.S. The firms see an opportunity to step in between banks and businesses, given added regulation that falls on banks through Basel III and does not apply to them. Companies with EBITDA as low as \$5mm will be targeted.

### **Municipal Greed**

A report by housing nonprofit Enterprise Community Partners finds less than 50% of the money paid out to states as part of the \$2.5B mortgage foreclosure settlement has been used to help distressed homeowners. Instead, states have used it to closed budget gaps. The report finds only 14 of the 49 states that received monies spent their allotment on housing relief.

### **Businesses**

A study by The Hartford finds 77% of small business owners expect tax increases to hit them next year and 67% don't plan to hire.

### **Better Situation**

Bloomberg reports debt has declined to a 6Y low relative to the size of the U.S. economy, driven by deleveraging from consumers, municipalities, businesses and homeowners. Total indebtedness has declined to 3.29x GDP, the lowest since 2006. Consumer debt has fallen from \$12.7T in 2008 to \$11.4T as of 2Q 2012 (down 10.2%).

*Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.*