A Fortune Of Opportunity

by Steve Brown

The Chinese New Year begins January 31 (Year of the Horse) and for those who'd like to celebrate with a fortune cookie consider this fun fact - fortune cookies are not a Chinese invention. In fact, many people around the world probably consider it strange to eat food with a little slip of paper inside. That said; the opportunity to receive good tidings about your future usually trumps the somewhat bland taste of this dessert staple - so enjoy.

Opportunity can be a very powerful thing, which is why it's so important for banks not to miss out on it. One area where we see potential is in building wealth management relationships with the adult children of current customers.

Many bankers are already in this game, but there is always room to improve in order to better cultivate these types of relationships with future generations. A recent survey by Wealthmanagement.com in fact, found that 50% of financial advisors polled don't have a specific strategy in place to obtain the business of the children of current clients. Another 20% only target children of certain clients. The study didn't specifically focus on banks, but we're willing to bet that the findings would ring true for the banking industry too.

There are many reasons why banks should be trying to provide wealth management services to their clients' adult children. For starters, it's a built-in referral base and we all know warm leads are a more powerful business-building tool than seminars, cold calling, or advertising.

What's more, in many cases, these adult children will be inheriting significant wealth from their parents. Cementing relationships now can lead to significant fee income down the road, which is a boon for banks trying to mitigate interest rate risk. Forming relationships with the kids of your customers can also lead to stronger advisory bonds with the parents.

If you're already providing wealth management services to customers, it's really a no-brainer to focus on their children as well. Start by talking to your existing clients about their children and how you may be able to help them from a banking and investment management perspective. You may, of course, want to be somewhat discerning about the relationships you pursue. Focus on those that have the most potential to be profitable, even if you won't realize the benefits right away.

While it may be a concern in some cases, geography also shouldn't stand in your way for the most part. With the amazing technology that's available today, location is less of an excuse than it used to be. Skype, Google Talk, and Face Time are just a few ways people today are able to connect all over the world simply and cost-effectively.

Ultimately, you may have to change some pricing structures or adjust asset minimums to work with the children of your customers, but remember the end goal is to build strong familial relationships that grow over time. Consider it in an investment in and for the future.

It's hard to predict precisely where these efforts will ultimately lead you we know, but the opportunity to build a bigger and more robust wealth management business is worth pursuing nonetheless. If you need more motivation than that, perhaps it's time to partake in a fortune cookie to see what the future holds.

BANK NEWS

Bank Closed (2 YTD)

Regulators closed The Bank of Union ($331mm, OK) and sold it to BancFirst ($5.9B, OK) under a purchase & assumption agreement. BancFirst gets 2 branches, all deposits (excluding brokered) and about 68% of the assets.

M&A

BancorpSouth Bank ($13B, MS) will acquire Central Community Corp ($1.3B, TX) for $210.8mm in cash (14%) and stock (86%).

M&A

HomeTrust Bank ($1.6B, NC) will acquire Jefferson Federal Bank ($499mm, TN) for %51.2mm in cash and stock.

M&A

First Federal of Northern Michigan ($214mm, MI) will acquire Bank of Alpena ($74mm, MI) for $4.3mm in stock.

M&A

Driven by increased competition and more regulation, three credit unions have announced they plan to merge together to form a single entity. The CUs involved are Citizensfirst ($387mm, WI), Lakeview ($108mm, WI) and Best Advantage ($68mm, WI).

Rough Waters

Centerstate Banks, Inc. ($2.3B, FL) announced unaudited Q4 net income fell 42% from Q3 to $1.8mm and income before taxes declined 26% from Q4 last year (to about $2.6mm). Meanwhile, ROAA slid to 0.30% and ROAE fell to 2.60% compared to a year ago. The company also reported restructuring plans seeking to cut operating expenses by $6mm annually that include closing and consolidating 13% of its retail branch network and staff layoffs. Of interesting note, the company reported expenses in its correspondent banking division outstripped income by $3.48mm in 2013.

Branch Purchases

Washington Federal ($13.1B, WA) said it will buy 23 branches in AZ and NV from Bank of America for an undisclosed sum. The purchase is expected to add $610mm in deposits and $4mm in loans. This move follows a similar purchase by Washington Federal of 51 BofA branches in July in ID, NM, OR and WA.

Remittance Regulation

The CFPB has proposed a rule that will give it oversight of the 25 largest nonbank providers of international money transfers, forcing such entities to comply with recent consumer remittance rules.