

Advisory Trash To Treasure

by [Steve Brown](#)

When it comes to garage sales, one man's trash is truly another man's treasure. There's even a website you can visit called yardsales.net, if you happen to be an aficionado of the rubbish variety. It will help you locate buying opportunities in your area including used furniture, toys, tools, clothes, small appliances, jewelry, antiques and collectibles. If you're so inclined, you could even probably furnish an entire house with relative ease by sifting through other people's discards.

Before you go dumpster diving, as a banker you need to know it won't look very good to have your wingtips sticking straight up in the air so go very late at night. Further, when it comes to building a strong financial advisory business, the process is even more complex. While there are lots of variables to weigh when you determine whether it makes sense for your bank, many variables come into play. Even so, the advisory business can be profitable for community banks and opportunity may lie within for those that are willing to invest time and money to make it work.

To be sure, a good number of community banks have been ramping up their investment programs in recent years, as the need for fee income has intensified. The latest data from Michael White Associates and Securities America shows that community bank investment program income grew 8.5% to \$427.8mm in the first three quarters of 2013. That's the highest income has been over the same three-quarter period since 2007, when the firms began tracking this data.

Given the good news here, banks may be smart to maintain momentum and try to drive future growth in this area. To do so though, there are several ongoing challenges to overcome first. Take recruiting, for instance. Not only has the pool of available advisors shrunk due to the large number of advisors leaving the business, but there's also a dearth of new entrants. What's more, many firms have tightened their golden handcuffs, making recruiting top talent all the more difficult.

One option for community banks might be to start investing more time and money into training younger advisors or working with firms that do this. Many banks have slashed their budgets for hiring and training across the board, so it might be worth a second look in this area if fees can be captured.

Another growth strategy might be to consider working with investment advisory companies that have an existing practice. New Cerulli research finds more than 33% of advisors plan to exit the business within 10Ys so there may be opportunity to expand.

Cerulli data also shows that the average age of a bank-based advisor is 45, several years below the industry-wide average of 50.9Ys old. These bank advisors have a few extra years on their side, so they may have added incentive to buy a retiring advisor's practice, build it up and eventually pass it down to a younger advisor or team of advisors who have been homegrown from within the bank. There are obviously a lot of pieces that need to align to make this work, but bankers may want to consider the growth possibilities that could come from such a strategy.

If you still aren't sure about where to capture new business and new customers in this area, consider a few more details from the McKinsey Private Banking Survey from 2013. It found the number of millionaires is expected to rise 30% worldwide by 2016; in the next 4Ys, Asia will surpass all other

regions in creating net new millionaire wealth and North America will represent 34% of global millionaire wealth by 2016.

There is always lots of junk at garage sales, but you never know what treasures you'll find if you look closely. Building a strong investment advisory arm within a bank can be rewarding, but you'll likely have to work hard to make it happen.

BANK NEWS

M&A

Park Sterling Bank (\$2.0B, NC) will acquire Provident Community Bank (\$323mm, SC) for about \$6.5mm in cash and stock.

M&A

HomeTrust Bank (\$1.6B, NC) will acquire Bank of Commerce (\$129mm, NC) for about \$10.1mm in cash and stock or about 1.19x tangible book.

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Eastern Bank (\$8.7B, MA) will acquire Centrix Bank & Trust (\$908mm, NH) for \$134mm in cash or about 2.17x tangible book.

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BOK Financial (\$27B, OK) will acquire independent investment advisory firm MBM Advisors (TX). MBM has over \$1.2B in assets under management.

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Sterling National Bank (\$6.6B, NY) will acquire residential mortgage broker Apple Mortgage Corp (NY) for an undisclosed sum. Apple obtains loans through third party providers.

Housing

CoreLogic reports home prices jumped 12.0% YOY in Jan. NV had the highest home price appreciation in Jan (+22.2%), followed by CA (+20.3%), OR (+14.3%), MI (+13.7%) and GA (+13.4%). MS was the only state to see home price depreciation during the month (-0.3%).

Employee Rewards

A survey of employees by Yast.com finds 79% of employees said they want end of year rewards, 63% of employees who have no plans of leaving are satisfied with their level of recognition, 65% of employees satisfied in their roles said they would work harder if they were better recognized.

More Foreclosures

RealtyTrac reports foreclosures increased 8% in Jan vs. Dec, but remain 18% lower than Jan 2013. States with the highest YOY increases in foreclosures were MD (+126%), CT (+82%), NJ (+79%), CA (+57%) and PA (+39%).

Small Biz

A Constant Contact survey of small business owners finds 66% use mobile devices (smartphones, tablets, mobile optimized websites and text message marketing).

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