

The Case For Do-It-Yourself Investing

by [Steve Brown](#)

Many of you are probably familiar with Bob Vila from his nearly 30Ys hosting home improvement TV shows such as This Old House and Bob Vila's Home Again. If you're handy with a hammer, you might also appreciate watching episodes of these shows on his website, <http://www.bobvila.com>. For those who are so inclined, the site itself is a treasure trove of how-to-projects. So if you're thinking of tackling that new kitchen, floor installation, paint job, or window replacement, the site is worth a look.

While some people are all thumbs when it comes to tinkering around the house, others show a real talent for it. The same is true for investors. Some really need the help of an investment advisor, while others are entirely capable and motivated to manage their money on their own.

The ability for self-directed investors to trade securities online has grown more popular over the years due to the low commissions and the convenience online discount brokerages offer. The self-directed channel is poised to grow even more in the future, with younger, tech-savvy investors leading the charge.

Along those lines, new research from Aite Group urges banks that don't already have one to seriously consider offering a self-directed trading platform. The rationale is that an online brokerage will make a bank more attractive to next-generation customers and offset likely declines in assets and revenue due to retiring Baby Boomers. That is easier said than done at community banks, but it is worthy of a discussion for sure.

According to Aite, there's a significant revenue opportunity for banks that have an online brokerage platform to complement and support a full-service brokerage. Using data from an earlier research report, Aite notes that a significant percentage of U.S. investors in the emerging affluent and mass-affluent wealth segments trade online at least 5x a year. Millennials, meanwhile, are more than 2x as likely to trade online at this frequency compared with Baby Boomers.

Before jumping in, banks obviously need to examine what the market might be for discount brokerage with their customers and what the cost to build, buy or partner with a platform provider would be. They also need to think about what kind of offering would work best, the infrastructure, what components to outsource, security and marketing, among other things.

Banks that are seriously considering going this route should also take a look at the competition and see how other banks and full-service brokerages have structured their platforms. Clients of Morgan Stanley, for example, can place stock and options trades online, but mutual fund and fixed income trades must go through an advisor, according to Aite. Bank of America Merrill Lynch, meanwhile, has an independent online brokerage channel that competes closely with the leading online brokerages. Wells Fargo also has a strong self-directed platform and is starting to promote it more heavily to advisors and clients in the face of competition from other online brokerages, Aite says.

Even with step-by-step instructions from a home improvement expert like Bob Vila, not everyone has the desire to caulk a bathtub, lay brick, stain wood shingle siding, or design a green home office. Likewise, not every customer will be interested in self-directed brokerage and few community banks currently offer this option to customers. But if you do the analysis, you might find there is significant

interest and a revenue opportunity in catering to the online brokerage needs of do-it-yourselfers as your customer base changes over time.

BANK NEWS

Corporate Cash

CNN reports about 40% of all cash held by S&P 500 companies is held by tech firms.

Targeted Savings

Banks seeking to boost savings account balances may want to let customers know the U.S. Department of Agriculture indicates the average first year costs of having a child with day care are \$10,158. Meanwhile, the total cost of a child from birth to age 18Ys is about \$400,000.

Volatility

Ibbotson reports since 1926 stocks have been 3.5x as volatile as bonds but at the peak of the financial crisis they were 14.0x more volatile. Look for volatility to increase in many markets as the Fed withdraws stimulus in the coming years.

Economy

Former Fed Chair Bernanke said there are good reasons to believe the economy could grow at 3.0% this year.

Mobile Risk

Javelin Strategy & Research finds 41% of consumers say they do not use mobile banking because they are worried about security.

Retirement

Fidelity Investments reports a stronger stock market has helped push 401(k) balances to double levels of 2009 and 15.5% higher than 2013. The average balance was \$89,300 in 4Q 2013 and pre-retirees are sitting at \$165,200.

High Taxes

Analysis by 24/7 Wall Street finds the top five cities with the highest taxes (estimated property, sales, auto and income taxes) in order are: Bridgeport (CT), Philadelphia (PA), Milwaukee (WI), Baltimore (MD) and Columbus (OH).

Customer Age

ICBA reports 90% of community bankers say their average customer is between the ages of 41 and 60.

Payments

Research finds U.S. merchants handled more than 70B payments transactions in 2013.

Productivity

A survey of employees by Yast.com finds productivity increases 9% when employees visit websites for personal use and 53% of employees said a 10 minute outdoor break every day would make them healthier, happier and more productive.

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