

Winning Intergenerational Wealth

by [Steve Brown](#)

Powerball is extremely popular across the country and even into U.S. territories. Thousands of people participate in this multi-state-sanctioned game of chance. There have also been more than 600K winners and more than \$9MM paid out in non-jackpot prizes to lucky individuals. A person can enter the drawing for as little as \$2 and the overall odds of winning a prize in the game are around 1 in 32. That said, the chance of winning the big prize is greater than the likelihood of being struck by lightning in your lifetime so it is still a long-shot.

Given the enormous wealth transfer that's expected to take place over the next several decades, some banks may have their own jackpot to look forward to. This one also probably has much better odds than Powerball. In fact, a new report from Boston College estimates \$59T will be divided among heirs, charities, estate taxes and estate closing costs from 2007 to 2061. Of this, it is predicted that heirs (through estates) will receive \$36T.

Now consider an estimate from Cerulli Associates that states at its peak between 2031 and 2045, 10% of total wealth in the U.S. will change hands every 5Ys. This presents a huge opportunity for well-positioned banks to make a power play. The question is during this massive change, how can community banks best compete? There are hundreds of thousands of financial providers that will certainly be chasing customers or have skin in the game.

There are, of course, multiple ways you can position yourself to make a dent in the wealth transfer market, but the sooner you get started the better. This may involve beefing up your bank's trust department, joining forces with an investment advisory arm or offering targeted savings accounts to name a few. There are lots of options with a little deep thinking and a good white board, so take some time and grab a good group from the bank to think about this opportunity in order to best leverage it.

As you try and maneuver in this space, it's good practice to also segment customers. For Boomers, you're probably going to want to take a family-oriented approach. Among other things this means talking to your clients about wealth transfer and involving their children too, as appropriate. Generally speaking the ultimate transfer will go more smoothly if both sides understand the timeline and expectations. Plus, when the children know and are comfortable with you, they are more likely to want to keep their accounts with you in the future. You may even find ancillary opportunities to cross-sell products and services.

If you are targeting younger customers, you might consider hiring employees around the same age to help foster trust and cement bonds. While these relationships may not be immediately profitable, if you don't nurture them early on, there will be little chance of bringing in inherited dollars when the family money becomes available. The stronger the ties you develop now, the greater the chance you'll prevail in the future over their parents' financial advisor or bank.

Opportunity abounds for community banks to compete when it comes to the windfall of wealth transfer that's expected over the next several decades. This means not treating wealth transfer as a game of chance. To win, you must devote time, energy and resources because just like the lottery - you can't win if you don't play. Have fun with this and enjoy playing.

BANK NEWS

Combo

Commonwealth Bancshares, Inc. has received approval to merge its two banking units of First Security Trust Bank, Inc. (\$82mm, KY) and Commonwealth Bank and Trust Co. (\$722mm, KY) under the Commonwealth name.

Bank BDs

A survey by consulting firm Kehler Saltzman & Associates finds banks that own their own broker dealer operation saw revenue increase 8% in 2013. Those who outsourced this function grew revenue by 14% during the exact same period.

Mobility

Computerworld reports people use mobile banking services 24x per month on average vs. visiting a branch 2x.

Legal Probes

Reuters reports that following BNP Paribas SA's huge \$8.97B fine related to illegal money transfers, DOJ prosecutors are reportedly also looking at Banco Nacional de M?xico SA, Cr?dit Agricole SA, Deutsche Bank AG and Soci?t? G?n?rale SA.

Fined

U.S. Bank has agreed to pay \$200mm to settle accusations it knowingly originated and underwrote mortgage loans from 2006 through 2011 that were insured by the FHA but did not meet requirements.

Fines

UMB Bank (\$15.7B, MO) has agreed to pay \$6mm to settle a dispute over an asset purchase agreement it made with P-Cap Holdings related to earn outs and calculations for an incentive pool.

Customer Behavior

A survey by Bank of America of 1,000 U.S. adults finds: 85% said they check their mobile devices a few times per day, 84% said they visited a branch in the past 6 months, 62% have tried mobile banking, 50% said they would prefer to do banking transactions online or through a mobile device, 47% said they would not last a day without their smartphone and 31% use mobile banking at least 1x per day.

More Capital

The Basel Committee is reportedly considering new rules that would require banks to determine their own risk weighted assets. The move may even require 0% risk weighted assets to be evaluated and is likely to increase capital requirements for banks.

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