

Nailing Down Small Biz Opportunities

by [Steve Brown](#)

Disaster DIY is a show on HGTV that features do-it-yourselfers who need serious help with their botched or perpetually unfinished home renovations (we're talking major issues here like sinking hot tubs, decks with holes big enough for a person to fall through and critter-inhabited walls.). Desperate families get help to repair their renovation-related catastrophes in a safe and proper way.

We too have lots of projects around the house that could use kick-starting and we're a little envious of the free fix-it-upping these homeowners are getting, though we could certainly do without the drama that makes them good candidates for reality TV. With six seasons under its belt and more home fix-it shows of its kind in the casting stage, there's clearly a desire among the masses for remodeling help and advice. This is also probably good news for the demand side of construction lending!

Perhaps not all bankers are handy with a hammer and nails, but nearly all have the tools in their belt to position themselves as experts in the small business market. It's an important area to focus on, particularly given the stats on how many Boomer-owned small businesses are expected to change hands in the next decade.

Consider that about 33% of business owners expect to leave the business within 5Ys, and 60% percent anticipate being gone within 10Ys, according to recent research from Securian Financial Services. Given this, community bankers that aren't already thinking about it, need to develop a strategy around how to maintain existing business owners as customers and win the business of their successors as well. Staying competitive here will undoubtedly require a close partnership between many areas of the bank, including relationship management and lending, as well as trust and wealth management if you offer these services.

The Securian research shows that 33% of owners planned to sell their business to a third party, 25% expect to close or wind the business down, 20% plan to transfer it to a family member and 20% plan to sell to a partner or key employee. This is all over the map, so it is important to talk with your existing customers about their exit strategies. The simple fact is that perhaps more than you think, many customers are probably flying by the seat of their pants here and don't actually have a plan. Many will need help finding an appropriate buyer, deciding who should succeed them, figuring out when to leave and determining the worth of their enterprise (just to name a few considerations), and your bank can be there.

While some of this work may be beyond your team's expertise or risk appetite, it always makes good business sense to sit down with your existing small business customers and discuss their plans for the future. It's also worth trying to assemble a team of experts that includes bankers, lawyers, accountants and others to help these customers in their succession efforts as you lock down the incoming ownership for a long time.

Done right, there will likely be all kinds of opportunities for your bank as this demographic shift continues. Retiring entrepreneurs for instance may need financing to fund the purchase of a smaller or second home, or a boat to sail off into the sunset of their retirement. They may also need trust or

wealth management services while their successors may require loans, cash management services, business checking or credit cards.

While the torch may not have passed yet for many Boomer-owned businesses, it's important for community banks to start thinking about how they can best serve these customers and their successors. It's yet another way you can ensure the foundation of your bank stays strong for many years to come.

BANK NEWS

M&A

Banner Bank (\$4.8B, WA) will acquire AmericanWest Bank (\$4.0B, WA) for \$702mm in cash and stock.

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Sterling National Bank (\$7.2B, NY) will acquire Hudson Valley Bank (\$3.2B, NY) for \$539mm in stock.

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Glacier Bank (\$7.9B, MT) will acquire Community Bank (\$182mm, MT) for \$25mm in cash and stock.

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Citizens National Bank of Albion (\$280mm, IL) will acquire The Bank of Lawrence County (\$51mm, IL) for an undisclosed sum.

Mobility

The ICBA reports 41% of community banks with assets \$501mm or more currently offer mobile payments and 54% plan to do so by the end of next year.

Regulation

The Fed finalized a rule that prohibits banks from buying or merging with others if the transaction results in a new entity that would hold >10% of financial system liabilities. The rule is intended to limit systemic risk and will be going into effect on January 1 2015.

New Fees

The Fed announced its 2015 fee schedule (goes into effect Jan 2) that reduces ACH services by 1%, but increases wire and settlement services by 5% and securities service fees by 15%.

Cyber Risk

Federal regulators that have been examining community banks with assets <\$1B since Jun (about 500 banks and CUs) have released their findings around cyber risk. They indicate community banks need to increase board and senior management engagement, establish dynamic control environments, increase oversight over third party relationships, develop and test business continuity plans and join the Financial Services Information Sharing and Analysis Center (FS-ISAC). FS-ISAC serves as a resource for banks and law enforcement officials to share and disseminate information around cyber risks. You can find it here <https://www.fsisac.com>.

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