



A Millionaires Guide & Incentives

by [Steve Brown](#)

Bankers are surrounded all day long by money, so we know our readers will find it interesting to know the odds of becoming a millionaire. The St. Louis Fed recently did some analysis here and broke it down by age, education and race. Here is how things stack up. The research finds the odds for middle aged, college educated Americans by race are: Asian (22.3%), White (21.5%), Hispanic (6.8%) and Black (6.4%). Meanwhile, across all groups the more education one has, the better the chances of becoming a millionaire. So, encourage your friends and family to get their master's degree to have the best chance. Along the same lines, in banking and particularly in the sales side of banking, incentives are a key driver of performance. Studies have shown that incentives boost sales, more than making up for their cost.

But, as we know, incentives at the largest financial institutions have gotten a black eye in the wake of the Wells Fargo and other scandals that have rocked the industry.

As community banks try to turn frontline employees into sales ambassadors for various products, incentives provide a handy tool for encouraging performance. But, in the highly regulated world of banking, it is also critically important to guard against creating undue or unintended incentive risk.

A report by the CFPB recently warned banks to review incentive practices to ensure compliance with regulations. The regulator warned banks not to tie bonuses or employment status to unrealistic sales goals and to review structures to make sure incentives do not intentionally or unintentionally encourage illegal practices such as unauthorized account openings, unauthorized opt-ins to overdraft services, deceptive sales tactics, or steering consumers into less favorable products.

Further, the CFPB said banks should have a strong process to ensure incentive programs are carefully and properly implemented and monitored. To do so, the CFPB suggests banks have a strong compliance management system that includes such things as: Board and management oversight, a strong compliance program, good policies and procedures, employee training, monitoring and corrective action, a compliance management program and an independent audit.

Finally, it should also be noted that the CFPB noted that incentives can be an effective and widely adopted practice that, when used properly, can provide benefits to companies, their employees and their customers. The key here is having the program and controls in place to protect customers and the bank.

No matter what approach you take, the bottom line is that incentive programs are powerful tools to boost business as long as the appropriate measures are in place to monitor them.

Perhaps it is a good time to do a thorough review of all of your incentive structures. It will help ensure your policies, procedures and systems are robust and provide an opportunity to make sure these programs are also doing what you want from the business side of the fence. Tweaks are fine along the

way and doing so will help ensure the money coming in and the incentives going out are balanced and well maintained throughout the system.

BANK NEWS

Biz Challenges

Facebook research finds small businesses say the following are the top 5 challenges they are currently facing: attracting customers (74%), increasing revenue (57%), maintaining profitability (49%), developing new products or innovating (34%) & uncertainty over economic conditions (33%).

Financing Sources

Fed research on small businesses finds those with annual revenues of \$1mm or less said they were most successful at obtaining financing from smaller banks (60%), online lenders (59%) and large banks (45%).

Fintech Pressure

Personal finance company NerdWallet has laid off more than 40 employees or about 8% of its staff.

Channel Spending

Research by TimeTrade finds bank executives say they are looking to improve the following channels in the next 18 months: provide additional products and services (44%), provide tablets or technology for customer use (32%), change branch design to be more caf? style (26%), improve wait times in the branch (22%) and provide more specialists (21%).

Event Risk

UK office building prices have reportedly declined 18% as of the end of 2016 due to fallout from the Brexit.

Responding

Time Warner Cable research on small businesses finds 20% of consumers surveyed say they will not frequent a small business who doesn't respond to comments or Yelp or other review sites.

Millennial Housing

Qualtrics research finds 53% of millennials now own homes and 88% of those who do not yet wish to do so in the future.

Rental Property

Research by ATTOM Data Solutions finds 37% of homes last year were purchased by buyers who did not live in those properties.

Highest Satisfaction

Fed research on small businesses finds owners that successfully applied for and received funds were the most satisfied with small banks (75%), credit unions (75%), large banks (46%) and then online lenders (27%).

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