



PRIVATE TRUST GROUP OF AMERICA



## *Sharing Ideas ~ Building Relationships*

*Private Trust Group of America specializes in providing administrative and operational support to small and medium sized trust departments. Our executive staff has over 75 years of combined trust and related technology experience, and our professional staff's average experience exceeds 22 years. Please visit our website at [www.privatetrustgroup.com](http://www.privatetrustgroup.com), or call us toll-free at 888-248-7827 to learn more about our services.*

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### **CHANGE BENEFITS SMALL BANKS**

The final decade of the last century experienced some of the most dramatic changes ever to occur in banking. Advances in *technology* and the consolidation of the banking industry through *mergers and acquisitions* have forever changed the competitive landscape for providing financial services – and that could not be better news for small, independent banks.

*Technology* – Advances in technology have clearly leveled the playing field by giving smaller institutions a cost-effective means of delivering services in real time – something that was previously too expensive, except to their larger counterparts. This is particularly true for those banks currently providing trust or “wealth management” services, or for those who may be contemplating doing so.

*Mergers & Acquisitions* – The consolidation that has taken place as a result of various mergers and acquisitions has created a three-tier banking system in our country. We now have huge national banks with the international reach and resources to serve their major international clients; super-regional banks focusing mostly on the domestic commercial needs of large U. S. companies; and small, independent banks serving local business owners and consumers.

The confluence of these two major changes in the banking industry has created a unique opportunity for small, independent banks to solidify their positions within their local communities and to gain significant market share across all of their traditional banking lines.

### **MARKET TRENDS**

There are three parallel trends shaping the future for small, independent banks in the new millennium. The first is allowing customers access to accurate and up-to-date information 24/7 via the Internet. The second is providing for the availability of wealth management services from a single, trusted source. And the third is to offer truly personal service, which begins by making sure that every customer is on a first name basis with at least one bank employee.

*Access to Information* – If your customers are not now demanding Internet access to their account information or requesting the ability to conduct online transactions, they soon will be. Once the sole domain of an earlier “techie” generation, online transactions are becoming a way of life for anyone with a PDA (personal digital assistant), a cell phone or a computer with a modem.

*Wealth Management Services* – The vast amount of personal wealth created during the 1990s, coupled

with the removal of some key regulatory barriers, has resulted in an enormously competitive financial services market. Banks, once the traditional depository for accumulated wealth, must now compete with accounting firms, law firms, brokers, investment managers, insurance companies and a variety of other financial institutions to retain custody and management of personal trust assets. Banks that fail to recognize the need to offer trust or wealth management services do so at their peril.

Personal Contact – Perhaps the single greatest advantage small banks have over their larger competitors is the ability to make customers feel important. Despite the expanded use of the Internet to conduct financial transactions it has not eliminated the need for customers to interact with bank personnel when the occasion presents itself. If a customer cannot associate a person's name and face with your bank, they may just as well go across the street to one of the other faceless institutions to transact their business. Everyone from the CEO and Board of Directors to the teller and receptionist should be encouraged to be goodwill ambassadors for the bank

### WEALTH MANAGEMENT SERVICES

One of the areas of banking that is under the most intense competitive pressure is in providing the estate settlement and trust administration services typically associated with bank trust departments. While the competitive pressure comes from many different directions, lawyers and accountants, once a reliable source of estate and trust referrals, are now competing directly with banks by offering the same services in-house.

Despite a high-cost, low-margin profile, providing estate settlement and trust administration services is essential for most banks because of its relationship appeal. Given a choice, for example, most bank customers would prefer to have all of their banking needs handled by a single bank rather than having their checking account, mortgage and business loans in one bank and their wills and trusts in another.

Now that lawyers, accountants and other non-banking professionals have entered the estate settlement and trust administration field those services have been "elevated" to what has become known as "wealth management services", which includes everything from estate and trust administration services to retirement planning supplemented by a variety of insurance products.

The aura of "wealth management services" is quickly catching on and will soon replace the traditional "trust department" as the place where these activities are conducted within a bank. Trust Officers will be replaced by Relationship Managers and the high-

cost, low margin (or loss leader) profile of bank trust departments will become a profit center from which some of the bank's most vital services will be offered.

### MEETING THE CHALLENGE

Except in rare circumstances, wealth management services should be an integral part of every bank with a serious commitment to meeting the needs of the community it serves. In addition, those services must be delivered in a highly professional manner that reflects positively on the bank while enhancing shareholder value through an efficient and cost-effective delivery system.

The challenge of turning a department that is marginally profitable or considered a loss leader into a profit center is not necessarily one of increasing the number of accounts under management or increasing the aggregate market value of those relationships. Departments with only a handful of accounts can be highly profitable while those with several hundred (or even thousands) of accounts can be unprofitable. **The challenge is commitment.** Without the full commitment and ongoing support of management at the highest levels of the bank, profits will suffer and the department will not reach its full potential.

Once the commitment is made, the bank should engage the services of an experienced outside partner to assist in a thorough top to bottom review of the way the bank conducts its wealth management business. Regardless of the internal structure of any organization, barriers to success are often created through the preservation (real and imagined) of self-interests, stale ideas and lack of entrepreneurial spirit. An experienced outside partner will uncover those barriers to success; help promote fresh ideas, and introduce a series of benchmarks designed to encourage growth for the individual and overall success for the bank and its shareholders.

### SHARING IDEAS ~ BUILDING RELATIONSHIPS

Private Trust Group of America provides operational and administrative support and general consulting services to financial institutions offering wealth management services. Our services are designed around managed partnership relationships providing high-level services that create shared economic interests. Our goal is to provide our clients with measurable results that can be used to determine the intrinsic value of those shared economic interests.

Please call today for a free consultation.