



Mass Affluent = Mass Exodus? Possibly. By Tony Streeter

Tony Streeter has worked with some of the largest financial institutions across the country as former Director of Marketing and new product development for both Deluxe and Harland-Clarke. In this Industry Insight, Tony discusses the possibility of mass exodus or mass affluent.

It's no surprise to any of you that trillions in investments and retirement assets have left the banking industry over the last decade. The question is, are the investment companies satisfied with what they have taken? The answer is very clearly "no".

Back in 1990, banks and thrifts controlled 40% of the IRA market share and that amount has declined to less than 10% today.

The majority of these funds have transferred over to mutual fund companies. Mass affluent customers in particular have been the focus of most big firms looking to grow assets.

We have all seen the commercial of the couple sitting on the side of the hill looking over the ocean discussing their retirement strategy, only to notice perched behind them on a rock, their financial advisor ready and eager to help.

In fact, that commercial is a bit of a misnomer in that the couple is in their late 50's and mass affluent customers who are currently between 35-39 years old began retirement planning at age 28.

Mass affluent customers are planning for their retirement and making investment decisions much earlier in life than ever before. So while you're talking to 28 year olds about checking accounts, someone else is providing them with investment advice.

The ultimate “checkmate” is already underway. You may be thinking to yourself, “Well, at least we have the checking relationship and get a loan every once in a while.”

Don’t be too confident. Charles Schwab, eTrade, Ameriprise, Edward Jones, Merrill Lynch, Fidelity and many others are offering traditional banking products such as checking, ATM cards, online bill pay, account transfers, credit cards, savings accounts and home equity loans.

Their strategies vary slightly, but Joe Martinetto, CFO of Charles Schwab said it best when he stated that their focus is to “get them into a banking product (at Charles Schwab) and start developing them into investor clients”.

The goal is to own the entire financial relationship, closing the door firmly behind the client – keeping you out in the cold fighting over the remaining scraps of customers with bad credit, small deposits and no savings.

So what’s a bank to do?

Business as usual and have your mass affluent customers swept away from underneath you altogether? Not such a sound business strategy. Fortunately there is some good news. Not all mass affluent customers are financial geniuses. In fact, many people who make a lot of money don’t necessarily know what to do with it. They know they need to do something; however, there is a significant degree of apathy, generally for two reasons:

- (1) They don’t have the time to figure out what to do right now because they are too busy.
- (2) They are intimidated by investment firms and don’t want to come across as “novice”.

And here you sit, in the cat-bird seat with the ability to pounce on this opportunity. So why don’t you? You have the existing relationship - they have been banking with you (trusting you) for years.

It’s time to go beyond transactional activities and get out there and have some heartfelt conversations with your best customers.

Banks have effectively (too effectively) pushed their customers out the door with ATMs, online banking and drive-through tellers.

That’s great for cost reduction but does nothing for relationship building.

Who are your top 50 customers at each branch?

Does the branch manager know each of them personally?

Do you invite them in to discuss their future needs?

Have you identified someone at each branch to work with these customers and provided them with the necessary training?

Do you hold local seminars on topics of interest to these mass affluent customers?

Do you do anything? Remember, nothing begets nothing.

There are still strategies you can employ. Not everyone wants to invest in the stock, bond and hedge fund markets. In fact, given our economy, many just want a fair rate of return and some degree of security while they wait out the storm.

We have entered into a time of mass conservatism. Anyone who doesn’t have a recession-proof career is watching every penny. This is actually one time where a bank’s conservatism can actually be of benefit – leverage it now.

Also, don’t forget about all of the 401K rollover opportunities out there. In this economy, many highly paid executives are finding themselves “between opportunities” and need rollovers and advice.

Cashing a check or paying a bill online are great transactional services but they can be easily duplicated. Mass affluent customers need transactional services and the investment firms have figured this out.

For the battle over the mass affluent market you need a well thought-out strategy and you need to execute aggressively. The choice is yours to fight or wave bye-bye.

About the author

This Industry Insight was provided by Tony Streeter. Tony Streeter has worked with some of the largest (and the smallest) financial institutions across the country as former Director of Marketing and new product development for both Deluxe and Harland-Clarke. His transformational strategies help banks and credit unions attract, grow and retain customers.

This Industry Insight was brought to you by Clarity FI. Clarity FI helps companies achieve profitable growth by looking at key components of revenue and expense and identifying where the opportunities for growth lie. Clarity FI is based out of Philadelphia and works across all of the major markets in the USA and Canada.