

# BANK

## Investment Consultant

# Banks, Pick Up Your Game

by howard j. stock

Despite all of the industry chatter about retirement income planning, banks are significantly behind the curve in capturing the retirement assets of their core demographic: the mass affluent.

A Nov. 5 survey of 2,997 mass-affluent consumers by BAI, an industry group for banks, and Mercatus, a strategy consulting firm, found that just 14% of mass-affluent consumers see their bank as their primary source for retirement asset management, compared with 53% who turned to traditional brokerage firms for the same service. And it seems these mass-affluent retirees are acting on their perceptions. Banks captured just 18% of all 401(k) rollovers into IRAs, while wirehouses took in 67%.

Banks have themselves to blame, according to Teresa Epperson, a partner at Mercatus. "Banks are behind, given the energy the brokerage industry has put into gathering retirement assets over the past few years," she says. "There are a couple of banks advertising heavily, Wachovia being a notable example, but most banks have been largely silent about their retirement planning capabilities."

### CONSOLIDATING ASSETS

That's a big mistake, because banks are ideally suited to serve the retirement distribution market, not just with investment products, but also with checking and bill-paying services, adds Paul McAdam, senior managing director

of research at BAI. "Managing cash in retirement is a consistent need, and banks' core strengths are in this area," he says. "When it comes to asset accumulation, banks aren't as highly perceived as traditional brokerage, so they need to play to their income-management strengths to catch up."

Account consolidation is also a draw for the mass affluent: about half of respondents said they had consolidated their assets to fewer, if not just one, providers in the past two years. Plus, "those in the higher segments are more likely to have done so than those in the lower-than-\$100,000 range, so there's a huge opportunity for banks there," McAdam says. These potential clients are eager to work with banks too. "One half of mass-affluent consumers said they are willing to consider their bank for retirement planning, and one would assume that number is even higher for mass consumers," he says. "there

is such concern out there about retirement that it won't be hard to start that dialogue."

Banks should focus their marketing message on simplicity and reducing sources of intimidation, McAdam says. Most mass-affluent consumers are overwhelmed by the amount of information out there, and they don't know where to start. For this reason, banks must make their websites sources of information for those nearing retirement, says Epperson. "Banks' websites need to talk about their retirement planning capabilities and to provide user-friendly tools," she says.

The result is increased wallet share. Banks that talk to their mass-affluent customers about retirement planning end up with 46% of those clients' assets, whereas banks that don't market investment services hold only 18% of the mass-affluent wallet share. "The play is to become a consolidation point," Epperson says.

The larger financial services industry has not been blind to banks' potential on the consolidation front. Fidelity's income management account is a great example, and Charles Schwab has now gone to market with checking accounts, as brokerage firms try to gain more of an inroad to the mass-affluent market. "Brokerage firms don't want to be in the core banking business, but they want to be that central place and if that means offering core banking services, they're happy to do it," Epperson says. "The threat to core deposits will be banks' motivating factor in this marketplace."

