

Growing The Wealth Business in Retail Banks

BISA Webinar – April 3, 2013

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BISA



Study Overview

Objective

Discuss opportunities to improve the sale of Wealth products through Retail bank channels

- 16 Retail and Wealth Senior Executives
- 30 minute one-on-one interviews
- Discussed business performance, strategies, operating models and barriers to achieving goals
- Results consolidated and non-attributable



Participants (Retail and Wealth Execs)





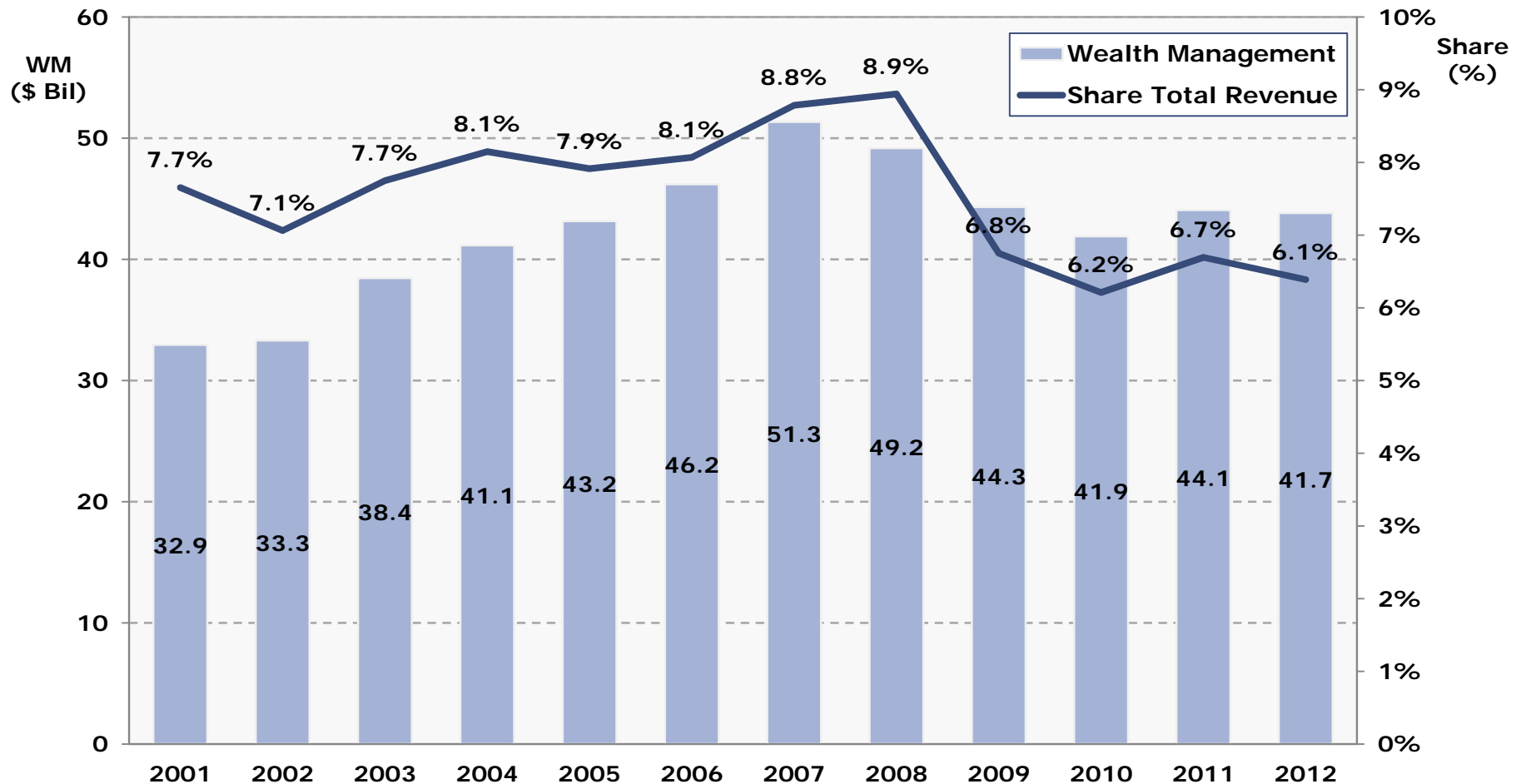
Key Questions

1. Is growing the wealth/investment business a priority?
2. Do executives feel they have the right business model to meet growth targets?
3. Do executives feel they have the right plans in place to close the gaps and address organizational impediments?
4. What are the implications for Banks and their partners and how can BISA help?



1. Wealth Business Priority

Wealth Business Relative to Total Bank Performance



*Wealth Management = Fiduciary Rev; I-bkg, Advisory, Brokerage & Underwriting Fees; Insurance Revenues

Note: Data represents Bank-based wealth management, excludes Brokerage Revenues outside of FDIC banking units; 1Q12 WM Balances annualized for 2012e

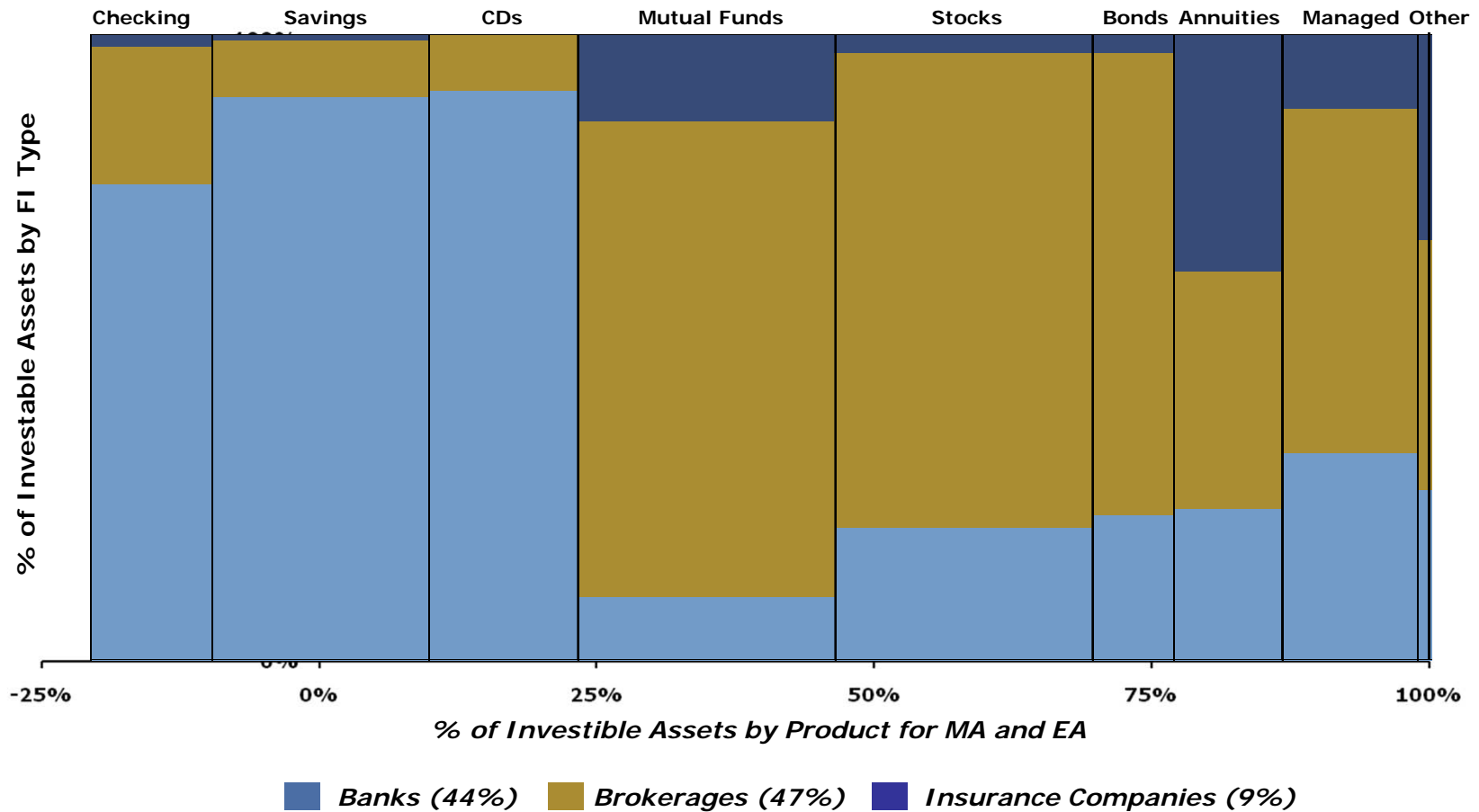
Source: FDIC All Depository Institutions, Novantas Analysis

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1. Wealth Business Priority

Banks have not done a great job penetrating the wealth space



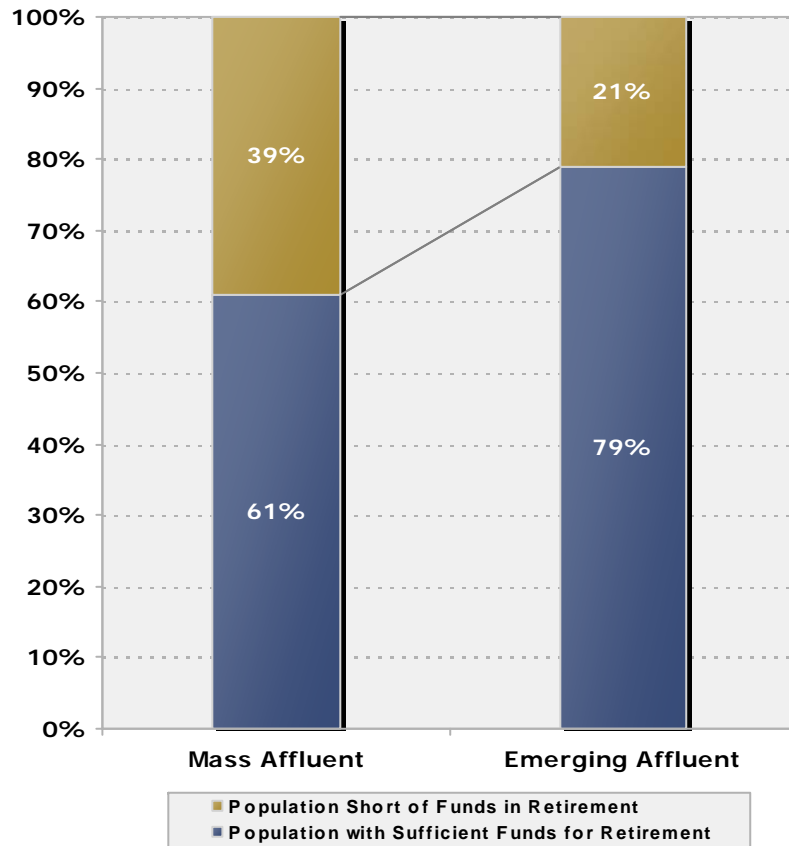
*Investable wealth excludes assets in structured retirement products (e.g., 401(k), IRA,), collectibles, equity in real estate holdings and insurance policies.
Source: Novantas/Informa Wealth Management Survey Results and Novantas Analysis

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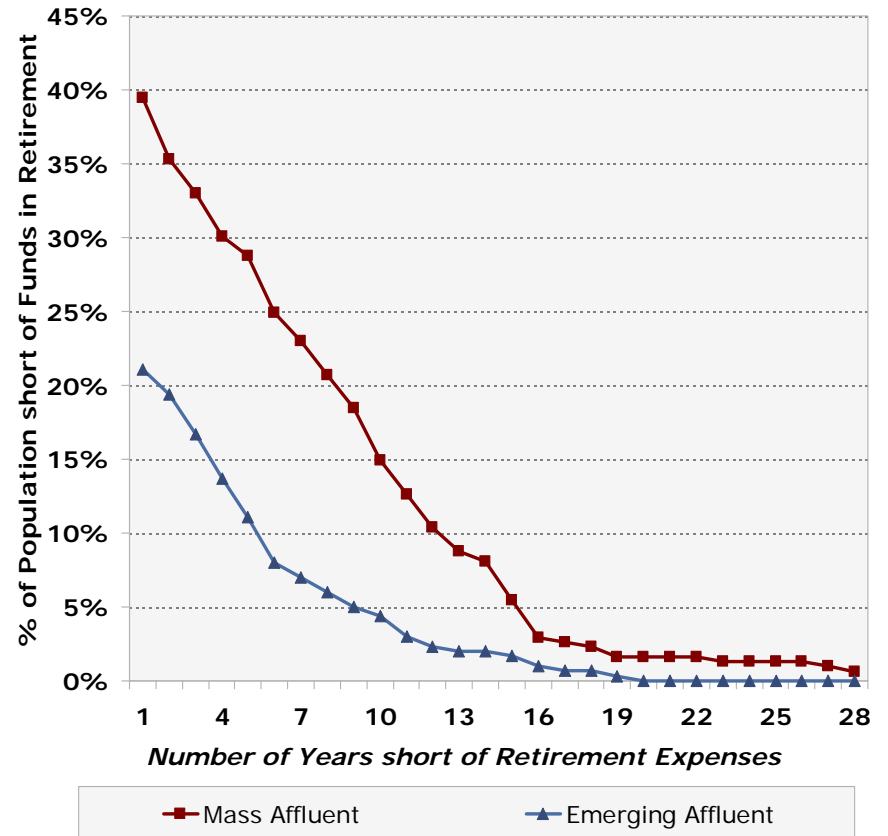


1. Wealth Business Priority

2 in 5 Mass Affluent HHs will run short of funds in retirement



Many will be short for 10+ years

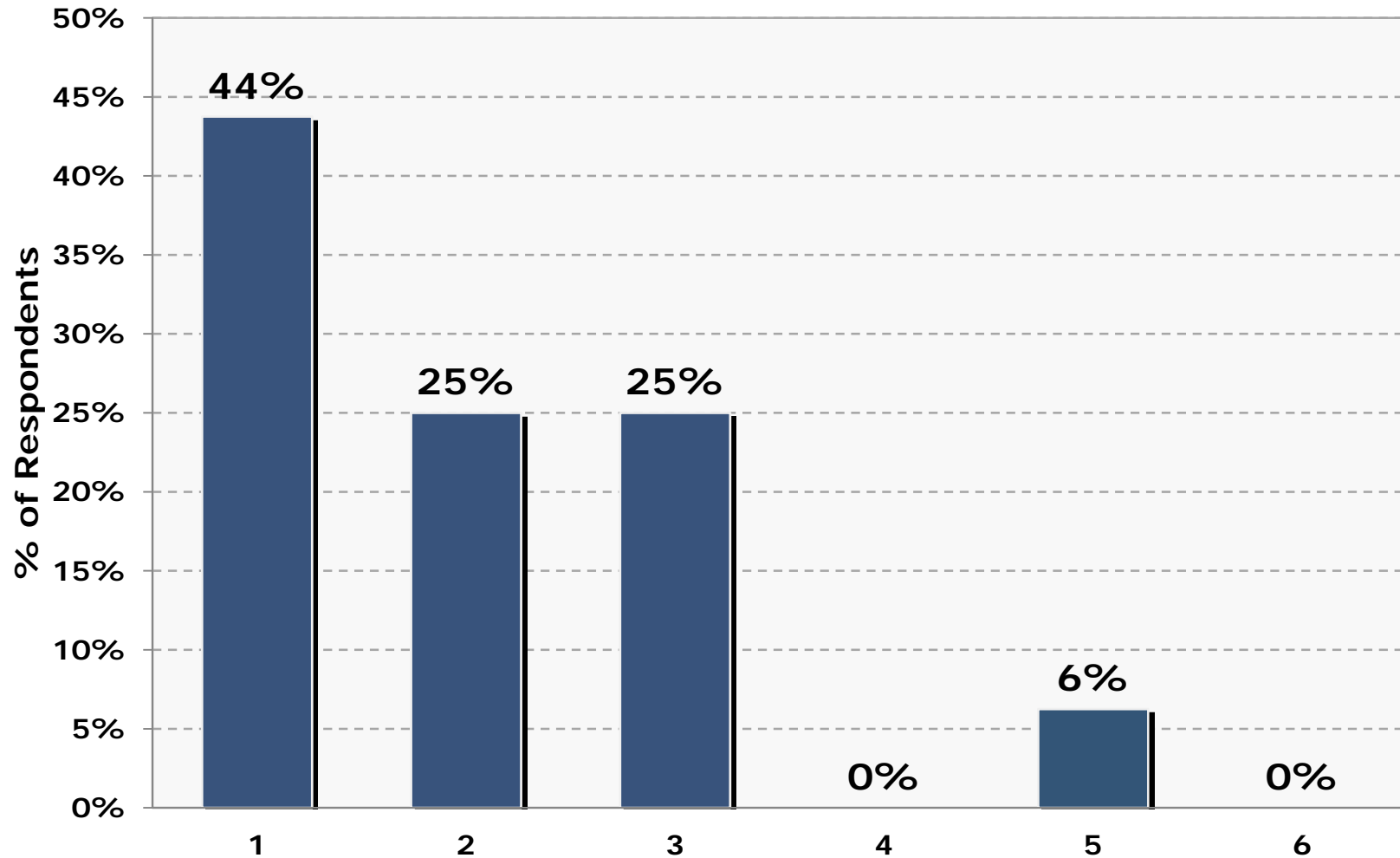


Note: Mass Affluent are defined as \$100 - \$500K and Emerging Affluent as \$500K - \$1MM in Investable Wealth.
Source: Novantas Wealth Management Survey Results and Novantas Analysis



1. Wealth Business Priority

Wealth Business Priority (1=High; 6=Low)



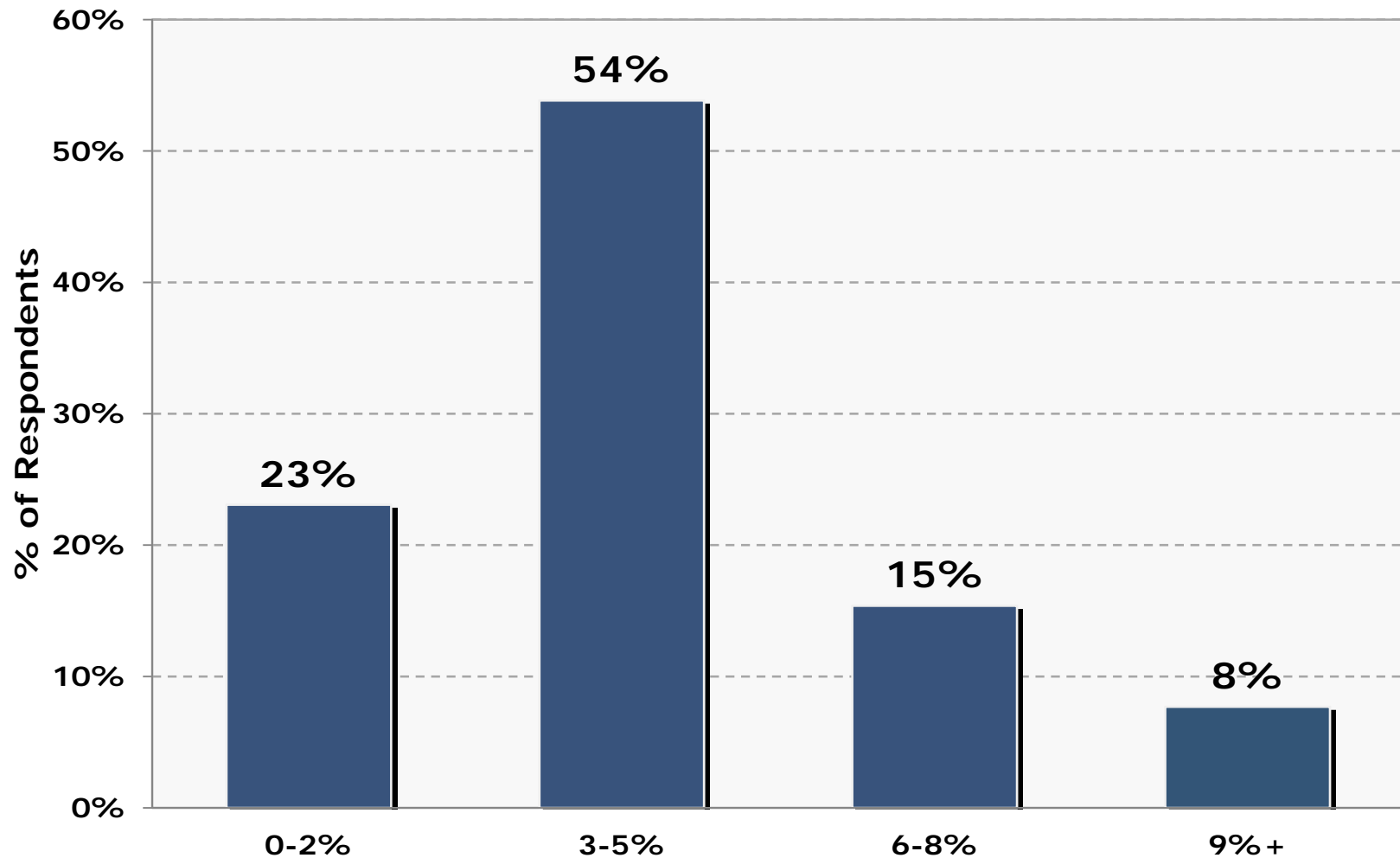
Source: BISA/Novantas Interviews

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1. Wealth Business Priority

Retail Customer – “Wealth” Product Penetration (%)



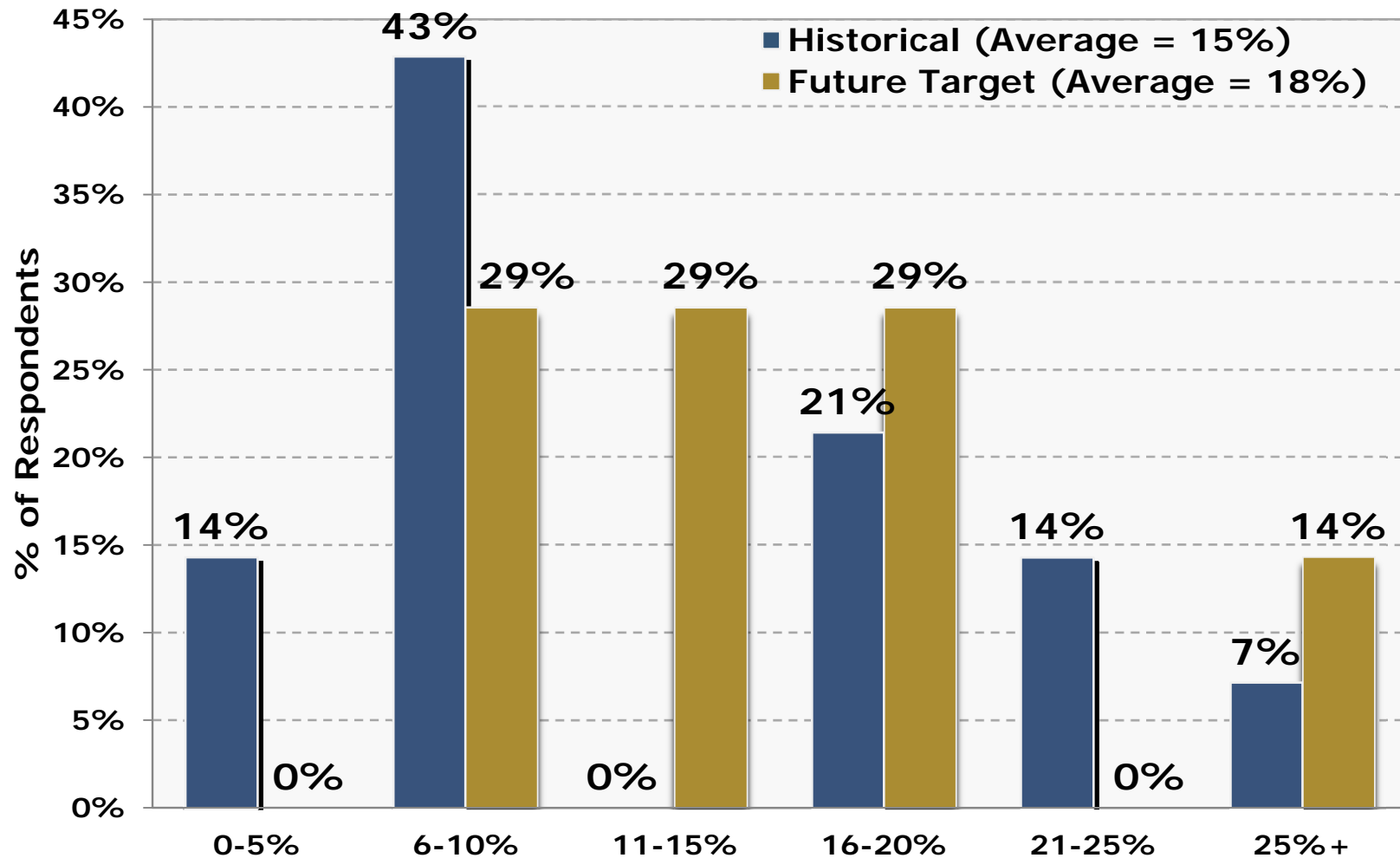
Source: BISA/Novantas Interviews

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1. Wealth Business Priority

Wealth Business Growth Rates – Historical and Future



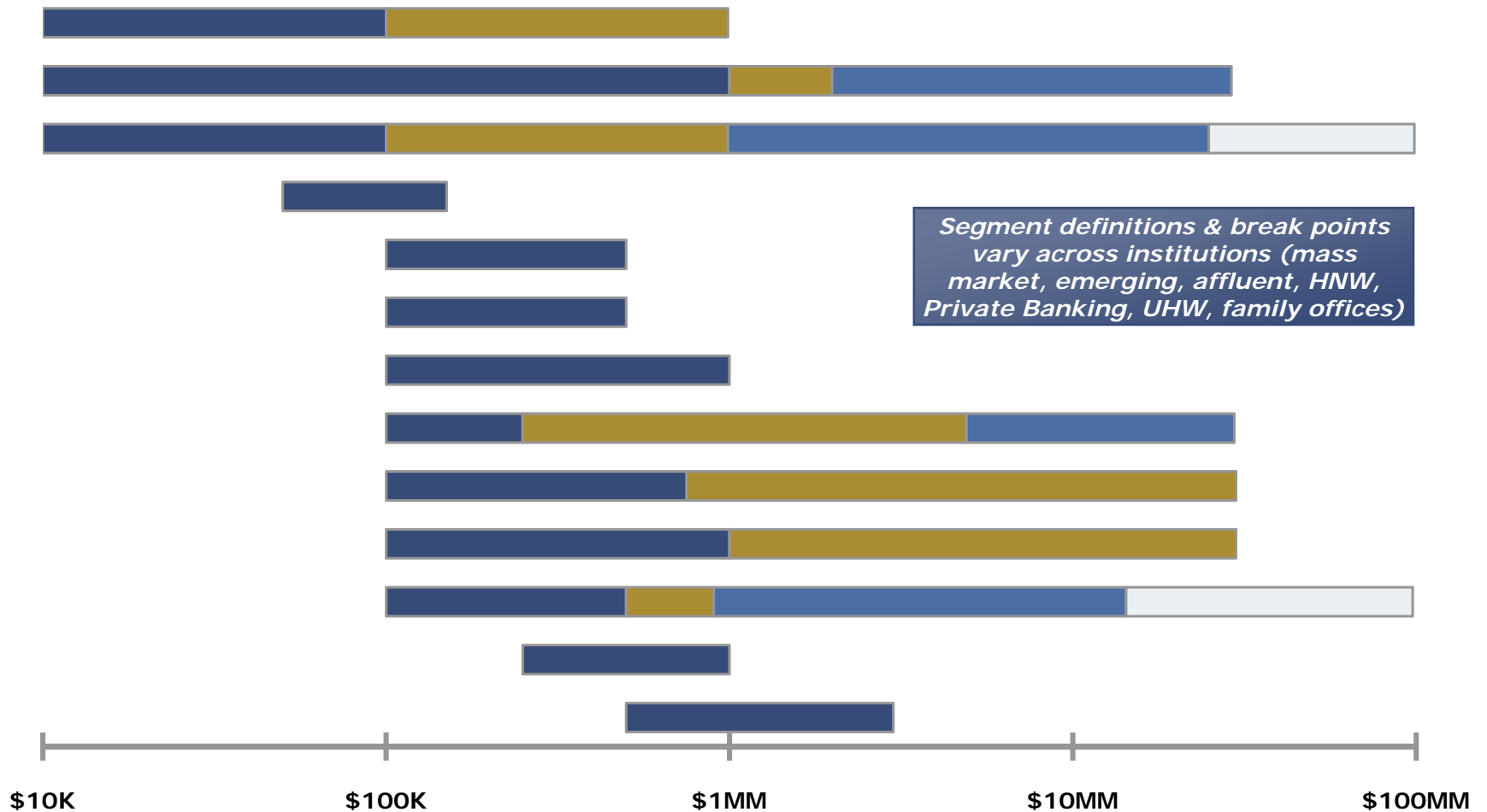
Source: BISA/Novantas Interviews

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1. Wealth Business Priority

Target Customer Segments – Investible Assets



Source: BISA/Novantas Interviews

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2. Right Business Model -- Strategy

- **Conclusion:** *Few executives could state a clear and comprehensive wealth strategy*
- Stated strategies varied considerably– by development stage, confidence level, and clarity
- Recognition that business models ultimately must be driven by the Wealth business strategy
- Strategic similarities:
 - Start with financial plans – “needs” base solutions
 - Align strategies and business models to segments (mass, emerging, affluent, HNW, Utra)
 - Focus on cross selling via referrals



2. Right Business Model -- Differentiation

- **Conclusion:** *Most executives had difficulty identifying why their wealth value proposition is unique (some said it's not possible in this LOB)*
- Answers tended to center around:
 - The “customer experience”
 - Staff skills, capabilities, and their service mentality
 - Team-orientation (quarterback w/ experts)
 - Needs-based solutions approach



2. Right Business Model -- Distribution

- **Conclusion:** *Distribution strategies were fairly consistent between institutions*
- The primary distribution approach is based on having advisors allocated on a hub-and-spoke basis throughout the branch network
- Other insights:
 - Limited multi-channel distribution solutions (mostly face-to-face based)
 - Emphasis on banker licensing to augment advisors
 - Specialists/PBs located at the center
 - View banks as the primary competition, then brokerages



2. Right Business Model -- Products

- **Conclusion:** *Limited investment in product innovation, including hybrid retail/wealth products*
- All support open architecture platform and moving away from transaction-based to fee-based
- Other insights:
 - About half have or are looking to develop hybrid retail/wealth products (e.g., market-linked CDs)
 - “Guarantees” more critical than ever (e.g., annuities)
 - Unanimous agreement around what needs are being solved – education, retirement, goals (charities, legacy)



2. Right Business Model -- Organization

- **Conclusion:** *Wealth and Retail organizations are still quite siloed and come together only at the top of the pyramid*
- Many cite regulatory barriers and compensation structures which require clear separation
- However, cultural barriers – between Retail and Wealth -- came across as a continued major impediment
- Other insights:
 - Some have dedicated positions to ensure better integration between Wealth and Retail
 - It is rare for staff to migrate from retail to wealth or vice versa

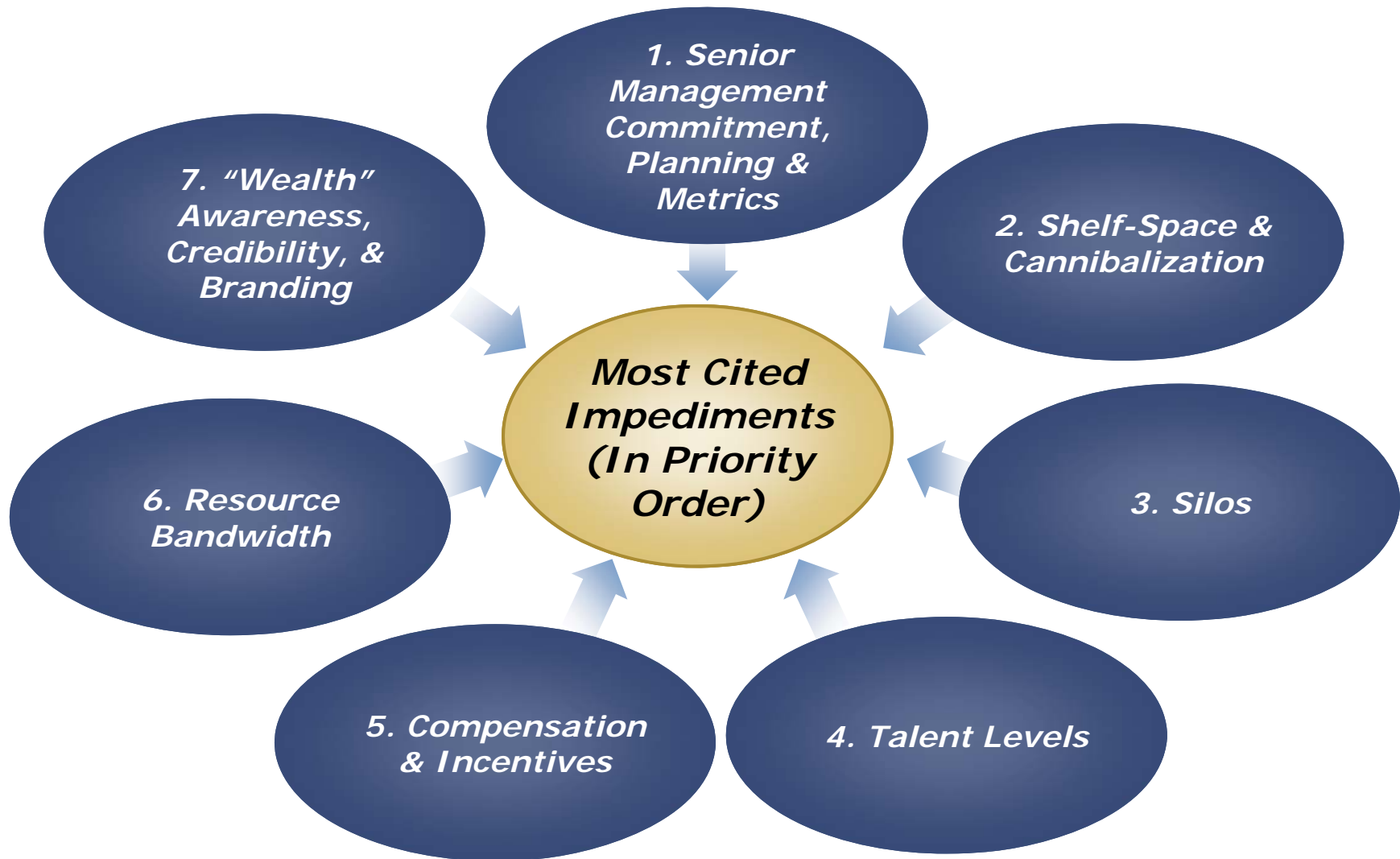


2. Right Business Model -- Processes

- **Conclusion:** *Most organizations are now doing an effective job implementing disciplined joint planning processes*
- Referrals are at the heart of supporting growth (cross-sell focus)
- Other insights:
 - Standard metrics are being tracked more regularly – referrals (gross/net); AUM, revenues, and penetration rates
 - But linking Wealth into Retail scorecards and compensation still rare



3. Right Plans To Close Gaps?



The logo graphic consists of three overlapping, light brown, curved lines that form a stylized, circular shape. The lines are thin and have a slight gradient, giving them a soft, organic appearance. They are arranged in a way that they seem to flow together, creating a sense of movement and continuity.

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