An Introduction to Trust Services, Wealth Management, & Insurance

Presented by:

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Topics

- Overview
  - Wealth Management
    - Trust Services
    - Retail Investment Brokerage Services
  - Insurance

- How Do These Additional Products & Services Benefit:
  - Customer
  - Employee
  - Bank

Overview – Trust Services

- Essentially, the function of the Trust department is to handle the administration of trust funds, discretionary management of assets, provide estate planning support, and in some cases, see to the disposition of the estate of a deceased customer.
  - Executor
  - Trustee
  - Investment Management (discretionary management)
  - Custody Accounts
- Other Options
  - Agency Accounts
  - Investment Portfolio Accounts
  - Guardianship Accounts
  - Executor/Administrator of Estates
  - Revocable and irrevocable trust administration
  - Charitable gifting strategies
  - Business succession planning
  - Risk management
  - Foundations or Endowments
  - College Scholarships

Overview – Trust Services

- Trust Administration Services
  - Various Trusts
    - Revocable Living Trusts
    - Irrevocable Trusts
    - Grantor Trusts
    - Irrevocable Life Insurance Trusts
    - Marital & Family Trusts (CRTs and CLTs)
    - Special Needs Trusts
    - Testamentary Trusts
    - Charitable Trusts
    - By-Pass Trust

Overview – Trust Services

- A trust department is typically staffed with:
  - Administrative personnel
  - Trust Officer
  - Attorney or paralegal (outsource)
  - Investment Managers
  - Private/Personal Bankers
- Work with individuals & businesses
  - Generally assets in excess of $250,000

How Do Trust Services Benefit The Customer?

Benefits may include:

- Protection of assets and ensuring their distribution according to the customer's wishes
- Helping protect a customer's estate from potentially excessive taxation and transfer costs
- Managing the customer's affairs when they are no longer able
- Creating a detailed charitable giving plan

Many people accumulate wealth in their retirement accounts and own assets that, when added together, have value. A properly drafted trust, a legal arrangement drafted by an attorney that transfers property to a trustee, may be a critical tool in estate planning. A trust can help a customer think about the type of legacy they want to leave.

How Do Trust Services Benefit The Employee?

- Ability to refer your customers, friends & family to trusted colleagues and strengthen the existing relationship with the bank
- Could provide a potential career path opportunity for you
- Referral might lead to additional incentives if your bank participates in a referral incentive program
- Provides an important resource to help build understanding and additional insight on the specific types of services and products available

How Do Trust Services Benefit The Bank?

- Attract and retention of customers
- Increased revenue potential
- Increases products and services which ultimately increases the depth of the customer relationship with the bank
- Helps the bank maintain a competitive stance within the markets they serve

Overview – Retail Investment Brokerage Services

- A retail investment brokerage department is typically staffed with:
  - Administrative/Operations personnel
  - Registered investment representative
  - Registered principal
  - Compliance officer
  - Other supportive departments

- Work with individuals & businesses
  - Generally available investable assets in excess of $50 to over a million

Overview – Retail Investment Brokerage Services

- The primary function of the financial services resource is to provide the customer access to non-bank products and services such as:
  - Retail investment brokerage products
    - Stocks
    - Bonds
    - Mutual Funds
    - Life Insurance
    - Long Term Care Insurance
    - Annuities
    - Exchange Traded Funds
    - Unit Investment Trust
    - Certificate of Deposits
    - Managed Accounts (discretionary or non-discretionary)
  - Financial Planning
    - Specific goal or purchase
    - College
    - Retirement
    - Estate
    - Protection of Assets

How Do Retail Investment Brokerage Services Benefit The Customer?

Benefits may include:

- Convenience
  - access to non-bank investment products and services through a registered investment representative within the setting of their local financial institution
- Understanding and Knowledge
  - opportunity to learn about the different options available to them based on their specific goals & objectives which assists them in making a well informed decision
- Peace of Mind
  - Assess your current financial situation, risk tolerance, and time horizon
  - Identify your short-term and long-term financial needs and goals
  - Develop a sound financial plan
  - Track your financial progress to make sure your plan remains in line with your goals

How Do Retail Investment Brokerage Services Benefit You?

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Overview – Insurance Agency

- Since 1999, regulatory changes have encouraged financial institutions to surge into the property and casualty insurance business as the “next big thing.” Over the past seven years, banks and credit unions have invested billions of dollars in buying, building, or starting property and casualty insurance agencies.
- Unlike many banking products, insurance is a permanent need of the entire customer base. The areas in the bank that generate the highest number of insurance product referrals correlate with those areas of the bank that have the highest levels of customer contact – branches and their call centers.
- 100% of bank customers use insurance.
- Insurance agencies represent the customer and do not work for an insurance company.
- They typically represent a carefully selected group of financially sound & reputable insurance companies.

Overview – Insurance Agency Structure

- An insurance agency is typically staffed with:
  - Accounting
  - Administrative/Operations personnel
  - Sales team
    - Business and Personal Lines of Insurance
    - Employee Benefits
  - Claims
- Work with individuals & businesses

Overview – Insurance

- Typical Products & Services
  - Personal Insurance Services
    - Home, Auto, Boat, ATV, Snowmobile, Flood, Collectibles, Identity Theft
  - Business Insurance
    - General liability, Workers' compensation, Business Owners, Property, Business auto, Umbrella, Equipment Breakdown
  - Employee Benefits
    - Health, Dental, Short/Long Term Disability, Life, Long Term Care, Vision Care, Voluntary life & disability

How Does Working With An Insurance Agency Benefit The Customer?

Benefits may include:

Geography

Your geographic location may necessitate specific types and levels of insurance coverage. Local insurance agencies employ agents who understand your geography and can make coverage suggestions accordingly.

Individuality

In addition to your geographic location, your individual circumstances may affect the types and amounts of insurance you need. By working with an agent directly, you can explain your circumstances and find the most beneficial coverage for you, which helps protect you against inadequate insurance coverage.

Convenience

By using an insurance agency for your insurance needs, you have the opportunity to develop a personable relationship with your agent. Additionally, many insurance agencies represent more than one type of insurance, condensing your insurance coverage to a single source.

How Does Working With An Insurance Agency Benefit You?

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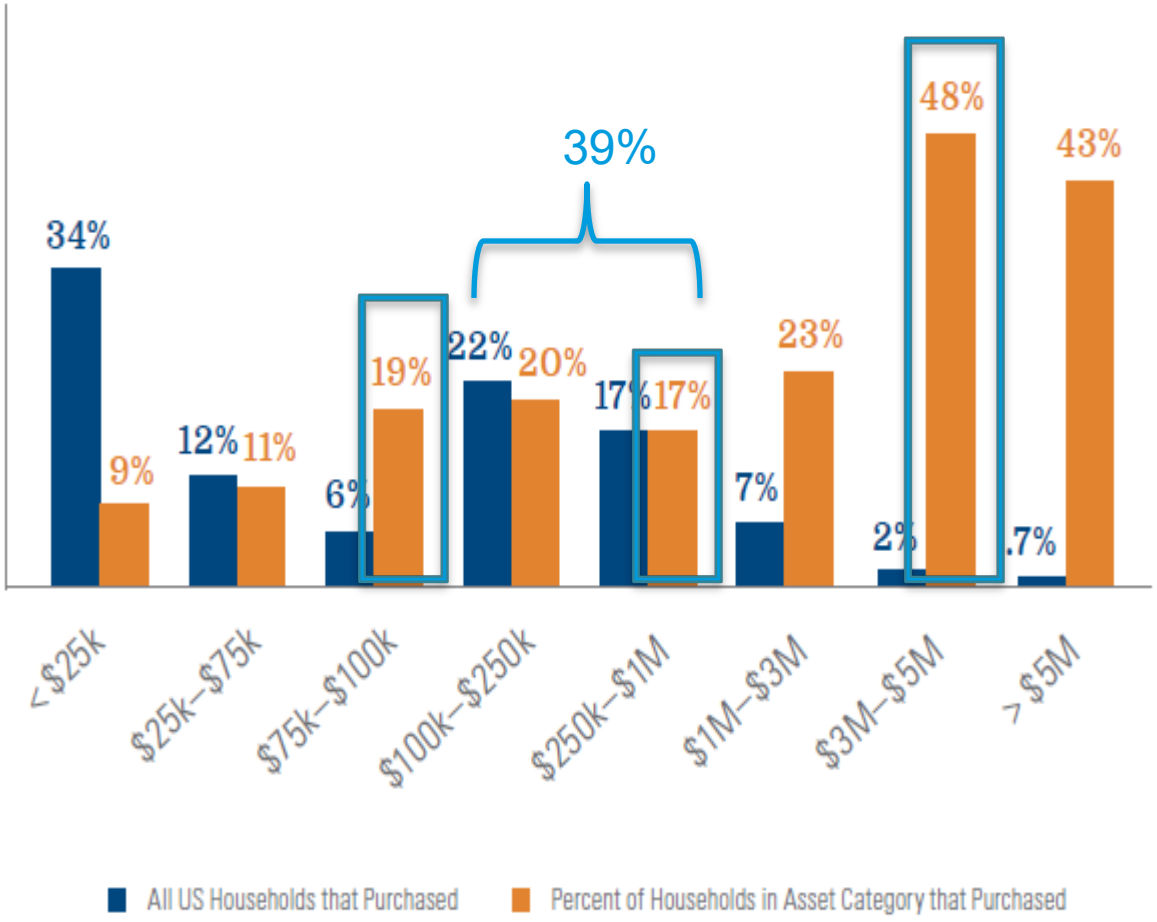
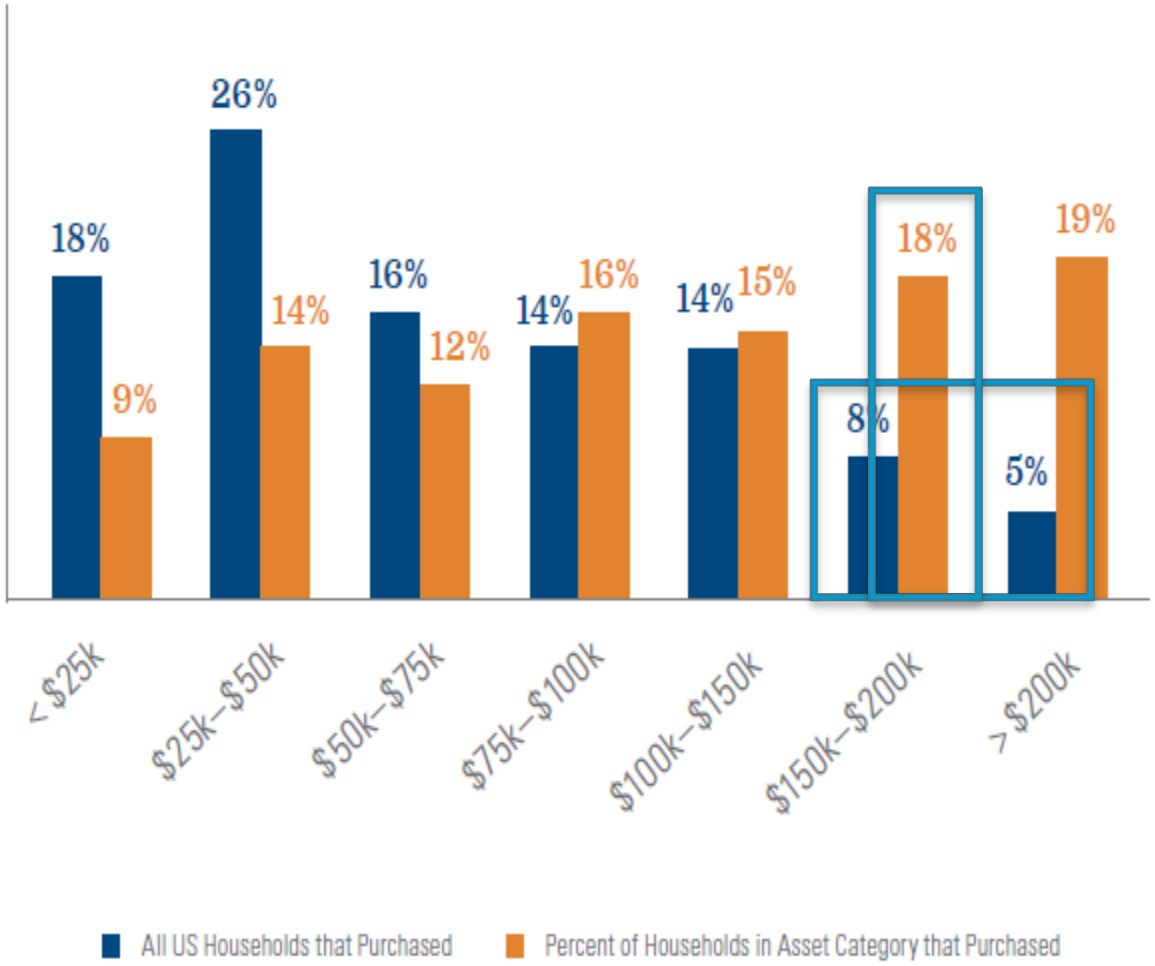
Profile of Bank/Credit Union Investment Clients

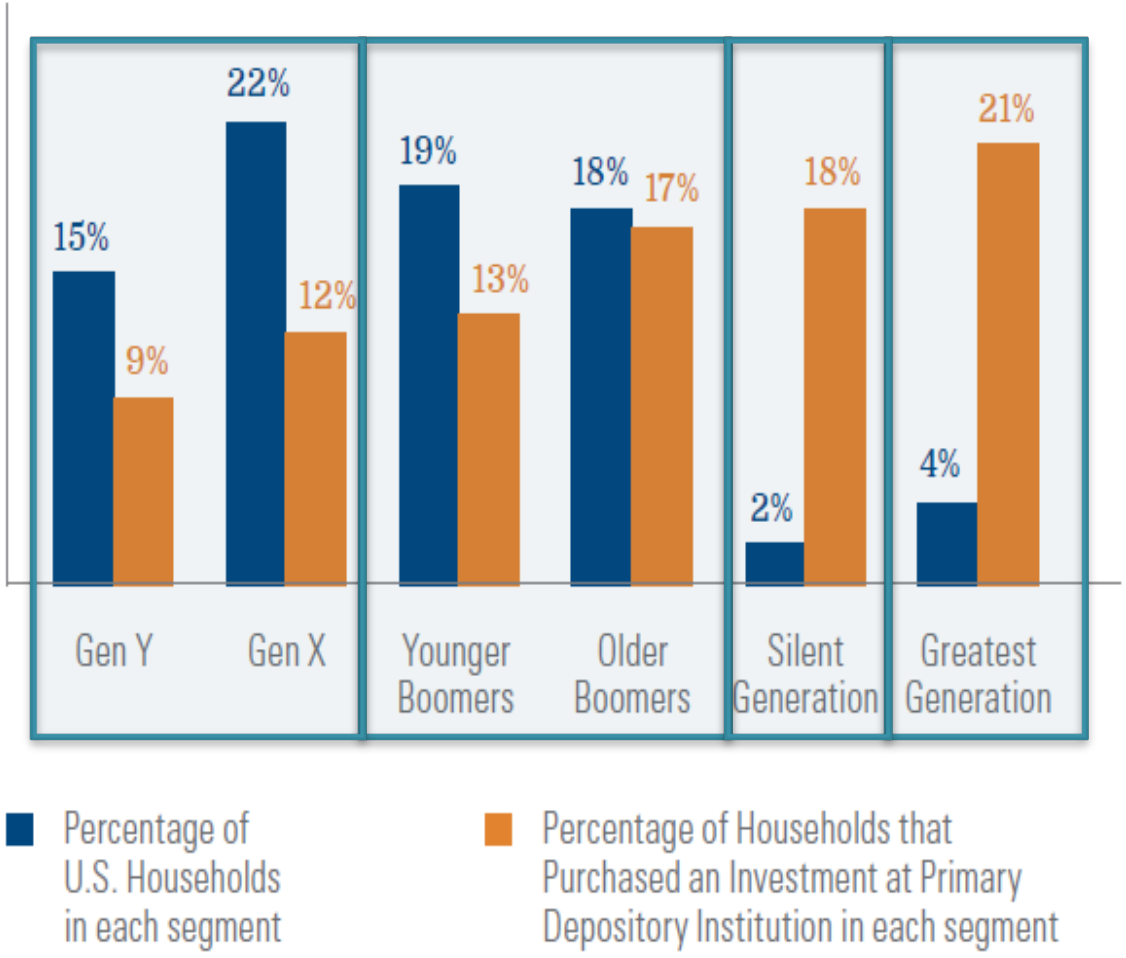
Financial Assets of Households with an Investment Relationship with Their Primary Bank or Credit Union



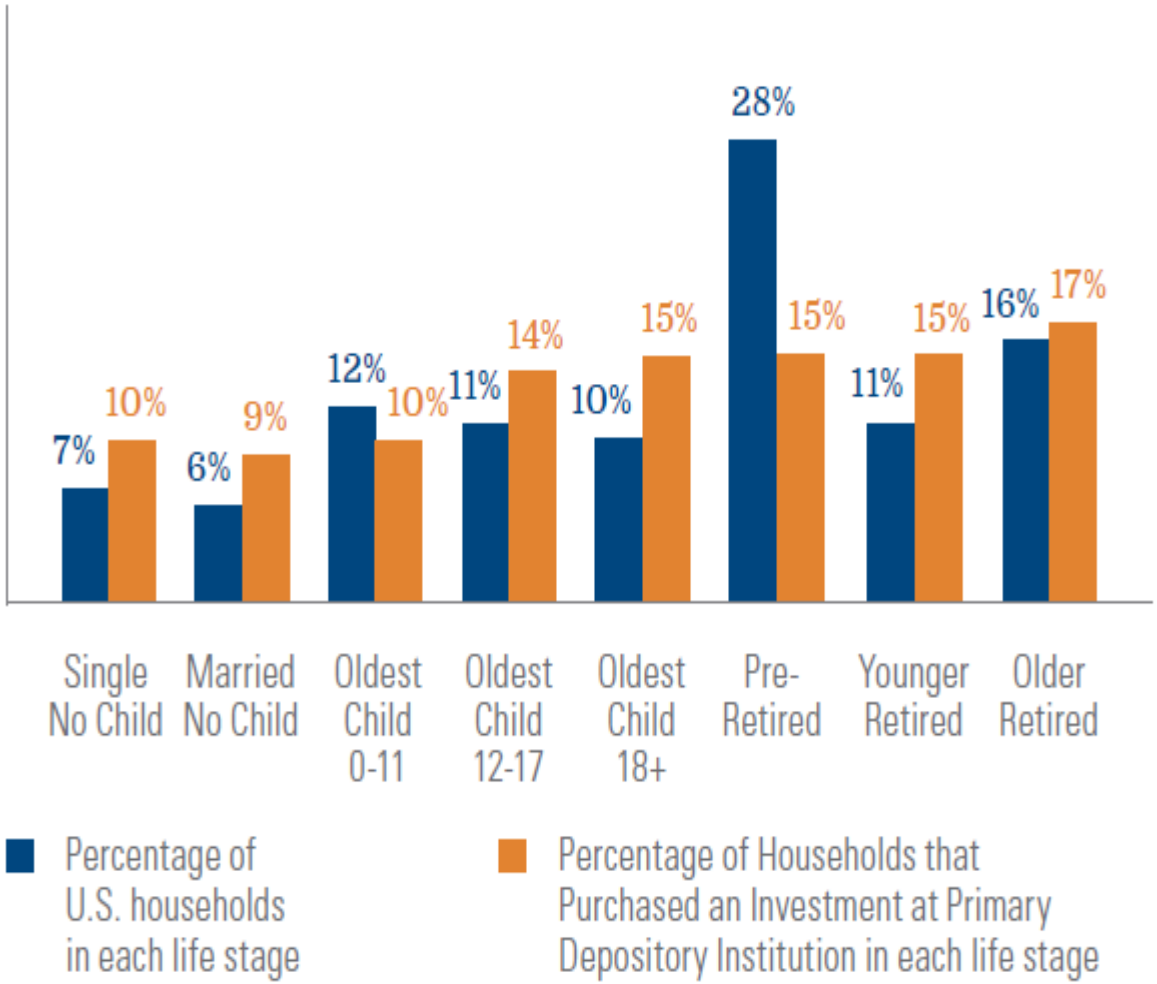
Gross Income of Households with an Investment Relationship with Their Primary Bank or Credit Union



Age of Households with an Investment Relationship with Their Primary Bank or Credit Union



Life Stage of Households with an Investment Relationship with Their Primary Bank or Credit Union

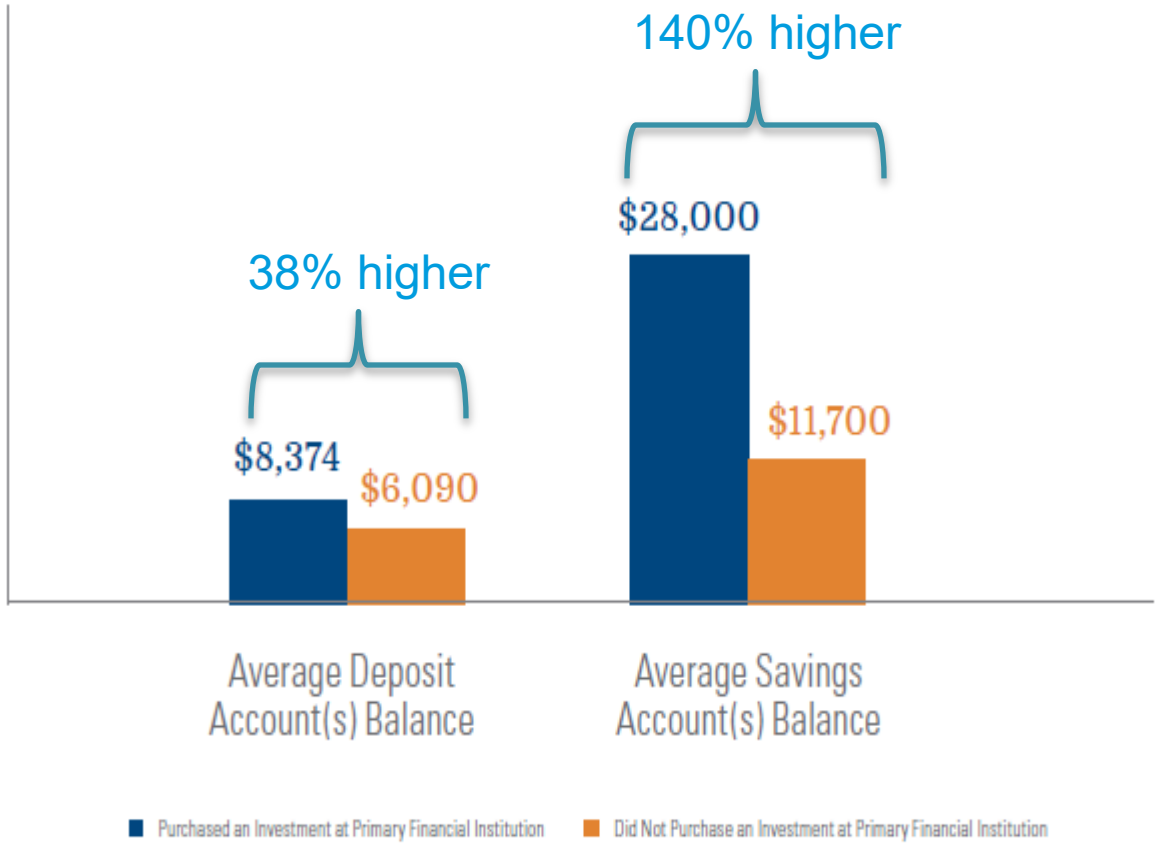


Summary

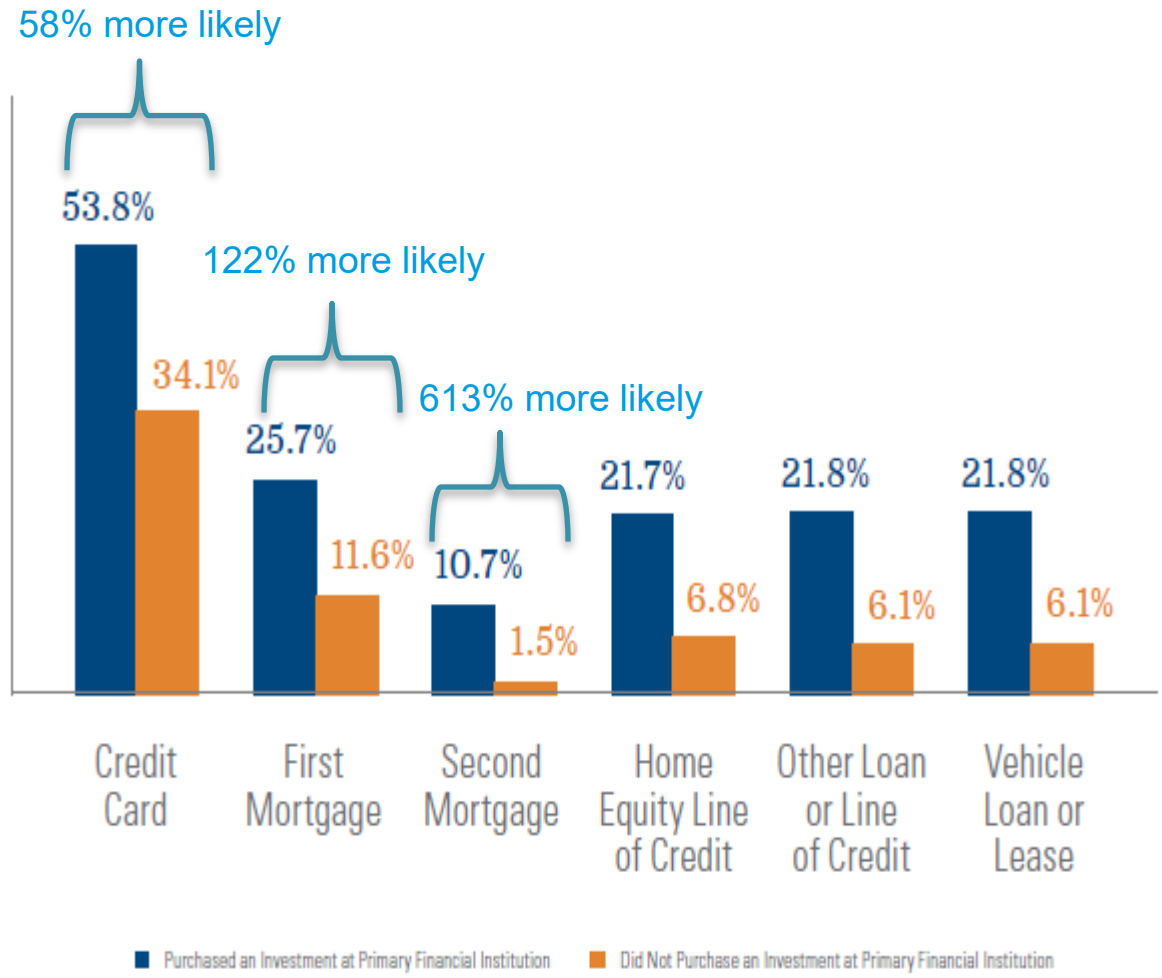
- Wealth and investment programs bring value to the financial institution well beyond fee income and profit contribution
- Financial institutions have achieved better penetration of their client base with financial services than generally believed
  - 13% of US households own an investment purchased at their primary depository institution
  - These investment clients are more upscale than banks and credit unions are given credit for

Why Investment Clients Are Desirable

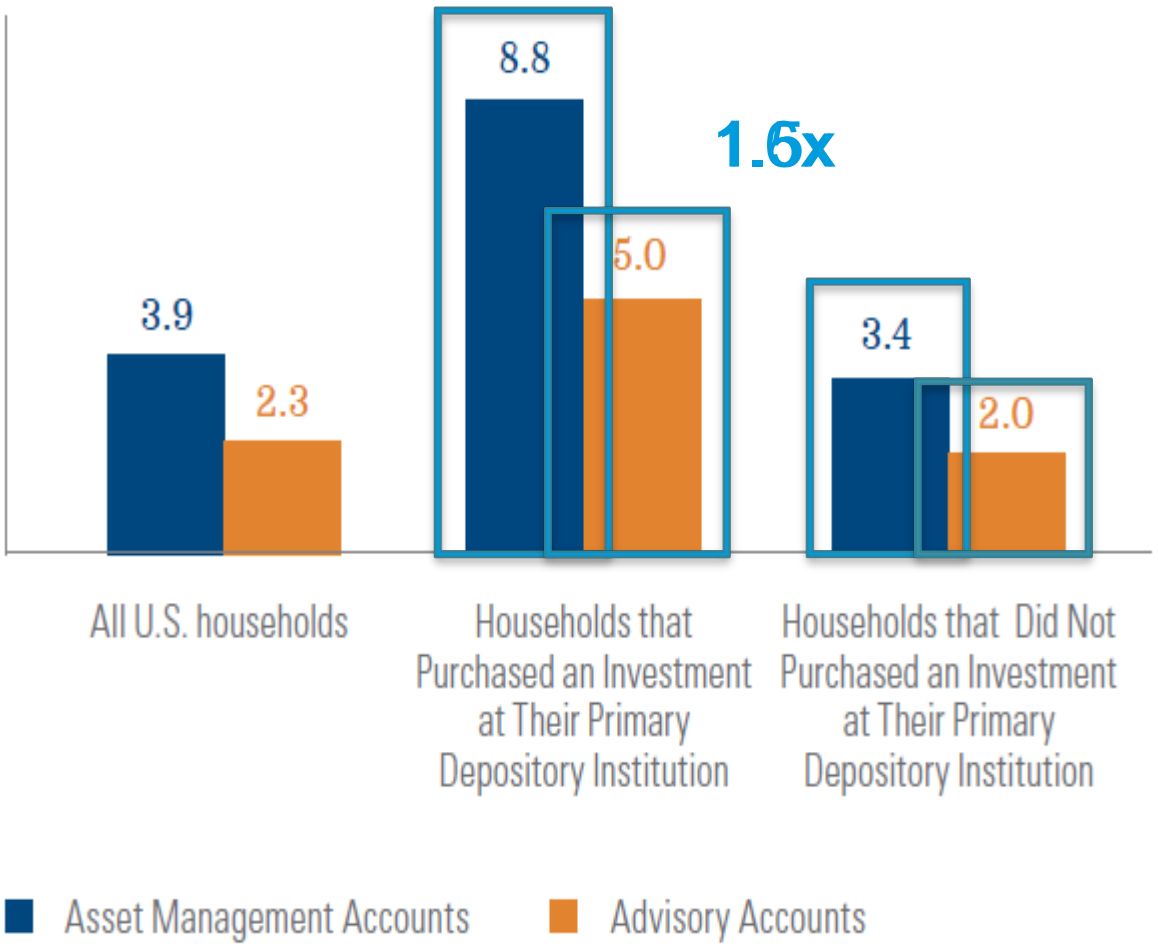
Average Checking and Savings Account Balances, by Investment Relationship with Primary Bank or Credit Union



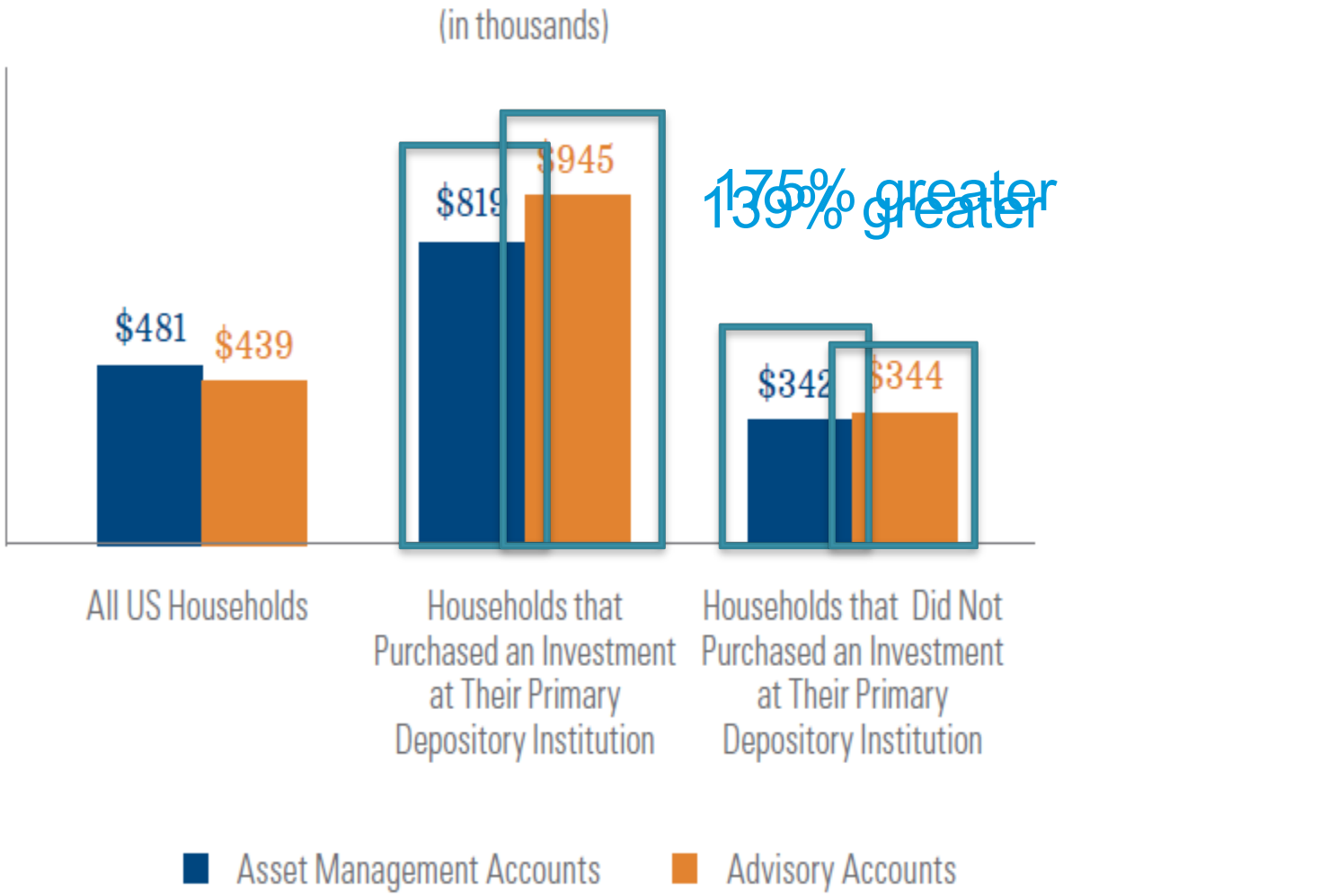
Use of Credit Products, by Investment Relationship with Primary Bank or Credit Union



Ownership of Investment Accounts, by Investment Relationship with Bank or Credit Union



Average Balances in Asset Management Accounts, by Investment Relationship with Bank or Credit Union



Summary

- Investment and insurance clients are the most profitable and desired clients of the bank or credit union. Compared to households without an investment relationship, they…
  - Have 38% larger checking account balances
  - Have 140% larger savings deposits
  - Are much more likely to use every kind of credit product
  - Are much more likely to own an asset management or advisory account
  - Are three times more likely to have purchased that account where they bank.

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Thank You