



Integrating Trust and Retail Brokerage

These two departments often are at odds, which serves neither clients nor the bank

BY PATRICIA WOOD

Recently, many banks have taken steps to integrate their trust and retail brokerage groups. Usually they do this in order to leverage access to new customers, provide a broader range of products and services, streamline the internal referral process and enhance revenue generation. Before embarking on this strategic direction, management should understand the history of the different players who will be asked to work together.

Trust officers often grew up in the bank channel and have spent a tremendous amount of time on estate planning and documentation review, but they may feel uncomfortable with financial products and sales. They believe that products and services offered at the trust level don't involve commissions and therefore lead to deeper non-transactional relationships.

Registered representatives have generally grown up outside the bank, in the securities and insurance industries. They have learned a lot about financial products and sales, but may feel uncomfortable with estate planning and documentation review. They believe that the extensive array of

products and services (CDs, mutual funds, annuities, stocks, bonds and managed accounts) offered at the brokerage level lead to a deeper relationship that is not based on a single management style.



Management must create a plan that clearly defines the roles and responsibilities of each player. It is critical that criteria is established and followed during the customer interview process, joint meetings with trust officers and

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So, while trust officers and reps have complementary traits, their prejudices are in opposition and deeply rooted. From the outside looking in, it seems logical and efficient to integrate teams of financial professionals. Both groups provide advice and guidance to a bank's customer base. But often this combination causes a struggle that can be traced to one or more of the following areas: Management, personnel, dollar thresholds and compensation.

Let's look at these areas individually:

registered reps or individual meetings resulting in referrals to either group. When producers from both groups continue to develop business as they have in the past, management must be willing to impose this new process. Allowing certain sales professionals to work outside of the new corporate vision is a recipe for failure.

An integrated model built on teamwork, communication and trust demands personnel who can perform in this environment. Management has to remember that each group has been

trained differently and sees the world a different way. You must dispel this mindset and educate each group on why an integrated delivery system is more beneficial to the customer, sales team and financial institution than the silo approach.

Many programs rely on a specific dollar threshold to determine where a customer should be referred. I have seen this figure set from \$100,000 to above \$1 million and everything in between. What should determine this threshold is both the needs of the clients for certain products and services and the bank's ability to remain profitable and provide quality service. I would say that if your trust officers feel the threshold is too high and your registered representatives feel it is too


low, you have more than likely found the perfect number. Programs continue to struggle when defining the trust and retail brokerage customer. A customer's needs, desires and assets should be telling indicators of where they're best served. You should discuss with reps and trust officers fee vs. commissions, discretionary vs. non-discretionary management, portfolio complexity (laddered bonds vs. fully diversified equity portfolios) and administrative fees and services.

Three rules should always apply:

Be prepared to live with a plan designed for no less than two years. Amending and/or changing a plan year after year is the fastest way to create discontent among your sales personnel and ultimately lose

employees and revenue.

A compensation plan should tie your employees to the customer and the financial institution. Terms of the plan should be straightforward and easily calculated. Both groups should understand the components of the whole plan. A lack of understanding leads to false assumptions and mistrust about the sales professional's intentions.

There is no one right way to approach this model, but rather many workable options waiting to be explored based on your firm's history, management style and personnel. 

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