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## Community banks pushing into wealth management services

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THE RECORD

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Jersey City-based Provident Bank, with 82 branches in northern and central New Jersey, added several people to its wealth management department over the past year, increased its product and service offerings and increased revenue in that division by about 20 percent.

Lakeland Bank, an Oak Ridge-based commercial bank with 48 offices, hired several financial advisers last year and began offering actively managed personal investment accounts and exchange-traded funds for the first time.

Cross River Bank in Teaneck, with one office and less than \$100 million in assets, plans to hire a financial adviser within the next two months and will soon offer wealth-management services to its customers.

### Part of a trend

These New Jersey banks are part of a national trend in which regional and community banks are rushing to expand personal wealth management services and boost their fee income. They also are providing jobs for wealth advisers, stockbrokers and other investment professionals.

"The stock market has more or less returned to normal conditions, with some growth, and banks are feeling the need for fee income with pressure from thin margins and large loan loss reserves," said William W. Reid Jr., president and chief executive officer of the Independent Community Bankers Association's financial services arm.

High household incomes make northern New Jersey a prime target for wealth managers. Morris County was among the richest counties in the nation with a median annual income of \$99,268 in 2008, according to the U.S. Census Bureau, and the Bergen County median income of \$82,136 was well above the state median of \$70,347.

Nationwide, the number of banks and thrifts of all sizes with at least \$10 million under management soared over the past year to 843 from 269 as the stock market rebounded and depositories expanded wealth management departments, according to the trade association.

Some community banks are getting into wealth management for the first time. Other institutions that have for decades offered traditional trust and estate-planning services — often to build customer loyalty more than profits — are presenting a broader range of fee-based products and services, integrating services such as brokerage and trust, and cross-selling products and services between departments, Reid said.

The banking industry continues to be under stress from slack loan demand and high delinquency rates in residential and commercial real estate loan portfolios. And those lenders with a concentration of long-term, fixed-rate loans on their balance sheets are concerned the Federal Reserve may lift short-term rates this year or next should inflation fears arise. That would tend to squeeze their profit margins on lending operations as deposit costs would increase faster than they could raise the rates they charge their borrowers. Adding fee income can offset that risk.



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Jeff Buonforte, an executive vice president at Oak Ridge-based Lakeland Bank, which has \$2.8 billion in assets, was put in charge of expanding the bank's wealth management department last year.

### Spreading the wealth

The number of banks and thrifts with at least \$10 million under management soared last year as the stock market rebounded and community and regional banks expanded their wealth management departments.

Number of TotalYear institutions amount

2006 312 \$305.95 billion

2007 303 \$327.82 billion

2008 269 \$283.24 billion

2009 843 \$633.66 billion

Source: Independent Community Bankers Association

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"We have to broaden our horizons and think like big banks," said Gilles Gade, chairman of Cross River Bank. "We just want to hedge our bets." He intends to offer customers stocks, bonds and portfolio management services.

**'We saw the need'**

The trend made possible by the repeal in recent decades of Depression-era laws that kept banks out of the securities and insurance businesses accelerated over the past year among smaller banks that typically partner with outsourced broker dealers such as LPL Financial and Essex National Securities. That puts them in more direct competition with national banks and retail brokerage firms.

"We saw the need to offer clients a full range of products in addition to bond funds, mutual funds and annuities," said Jeff Buonforte, an executive vice president at Lakeland, which has \$2.8 billion in assets. Buonforte was put in charge of expanding the bank's wealth management department about a year ago.

"Some clients may want to own the individual bond," he said. "Now we can offer that."

Lakeland's wealth management customers typically have anywhere from \$25,000 to \$500,000 to invest. Provident, the second-largest New Jersey-based thrift, offers wealth management to clients with \$1 million or more in the bank.

"People are complaining that they want higher returns, but they also are saying they are not willing to take on a lot of risk," said James Nesci, head of wealth management at Provident.

Nesci, who was chief operating officer for the national wealth management division of Wilmington Trust before he joined Provident in March 2009, said today's paltry certificate of deposit rates — the one-year CD yield is about 1.4 percent on average, according to bankrate.com — make people more open to discussing investment options with their local banker, especially with the recent gains in the stock market. Since falling to a 13-year low on March 9, 2009, the benchmark Standard & Poor's 500 Index has climbed 73 percent.

"When a client wants more returns than they can get from a CD they become more interested in asset allocation and wealth management," Nesci said.

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