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Julie Vetter and  
Brennan Lane of  
Community Bank



# Diving into wealth management services

## Services

As community banks face increasing competition from larger banks and fintech providers, it makes sense to explore new revenue streams. Wealth management services can be a way to attract new customers and deepen relationships with existing ones. Here, we speak to three banks that have offered these services for a number of years—and, in one case, for decades. By William Atkinson

## Community Bank Mankato, Minn.

Community Bank has provided wealth management services on and off for about the past 15 years. “We have been with our current broker, Sorrento Pacific Financial, since about 2008,” says Brennan Lane, financial advisor with the \$293.8 million-asset community bank. In 2017, Lane transitioned from a personal banker at the bank to a financial advisor to focus full-time on the bank’s wealth management program, Community Bank Wealth Management. He currently holds Series 7, Series 63 and Series 65 licenses.

“We contract with Sorrento to provide investment services, including handling compliance and due diligence,” Lane says.

Since Sorrento is the broker, Lane is a dual-registered employee, as is the department’s other registered representative, Julie Vetter, who serves as Community Bank’s senior vice president of retail banking.

In true community bank style, Community Bank takes a relationship banking approach to its wealth manage-

ment services. “We are not a hard sell,” Lane says. “We emphasize an educational approach, including newsletters and seminar events. In fact, we are currently working on a retirement income seminar for our Primetime Club members. The focus will be on how they can generate more retirement income than what they might be getting on a deposit product.”

Many of the bank’s customers tend to be fiscally conservative, so the department makes it a priority to introduce them to value-added products that go beyond basic bank deposit products. The goal is to make sure customers understand everything the bank and its broker, Sorrento Pacific, offers, so they can select products and services to help them meet their financial goals.

“We truly do try to take a holistic approach,” says Lane. “We want to determine what will work for each individual customer. In addition, Sorrento Pacific offers a number of different products that assist with this, such as financial planning software.”

Since January 2018, Community Bank has ramped up its efforts to grow its wealth management program.

“Overall, we want to be a resource for our customers,” Lane says. “We want to be a one-stop shop financially as much as we can.”

### **Frandsen Bank & Trust New Ulm, Minn.**

Frandsen Bank & Trust originated its wealth management and trust department nearly half a century ago, in 1969. The department was formed from trust powers that the banking division of the Minnesota Department of Commerce granted. The department’s focus is threefold: estate planning and trusts, pure investment management (in which clients hire the division to be portfolio managers for them) and retirement planning.

“We help some clients in just one area, and others in two or all three, depending on where they are in life and what their needs are,” says Steve Vranich, senior vice president and trust officer of the \$1.4 billion-asset bank’s wealth management division.

“Under trust powers, we don’t need all of the usual investment broker licenses. However, we do need to pass a number of trust exams through the FDIC,” he adds.

The wealth management division adheres to the asset allocation theory and has built five asset allocation models to ensure diversification. These models are: income-oriented (heavy on bonds); conservative growth; moderate growth; growth; and aggressive growth (light on bonds and heavy on stocks).

With smaller clients (less than \$1 million), the depart-

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—Brennan Lane, Community Bank

ment typically builds mutual fund portfolios for them containing various types of bond and stock funds. “Some of these clients are people who ran businesses and then sold those businesses but don’t know much about investing,” says Vranich. “Others are people who were already invested, worked with other advisors, and either didn’t like them or wanted someone to pull everything together for them.”

For high-net-worth clients, the department will put them into individual stock and bond portfolios, since they have a need for tax-free income. “We buy individual



Steve Vranich of Frandsen Bank & Trust’s wealth management division adheres to the asset allocation theory.

municipal bonds as well as individual stocks for them,” Vranich says.

When purchasing securities for its clients, the department has direct access to Wall Street through a firm it does business with, allowing it to do direct trading. “On the mutual-fund side, we have direct relationships with all of the fund families that we do business with,” Vranich says.

The department has been growing as a result of internal referrals from the bank’s 33 branch locations, as well as external referrals from attorneys and accountants. Vranich hopes that growth will continue.

“We recently purchased a new bank, for example, and I’m looking for someone to help develop business in that area,” he says.

### **Goodfield State Bank Goodfield, Ill.**

Goodfield State Bank launched Goodfield State Bank Investment Services in 2007. “We were looking for ways to bolster non-interest income for the bank,” says Chad Martin, president and CEO of the \$115 million-asset community bank. Martin learned of a local broker-dealer, Midwestern Securities Trading Company, that had just started partnering with community banks to deliver investment services.

“I also happened to know the founder and owner of that

company,” he says. “Around that same time, we happened to hear about a local person, Jeff Schumacher, who wanted to switch careers and become a financial advisor. In other words, all three of us were looking to get into this business around the same time.”

Schumacher, who is still with Goodfield State Bank in the role of financial advisor, is an employee of the bank, not of the broker-dealer, dividing his time between two of the community bank’s three locations.

The bank took a multipronged approach to publicizing its new services. “Early on, we conducted quarterly seminars, and I got involved in the community with civic organizations, being on the board of fundraising efforts, etc.,” Schumacher says.

“Internally, we sent information to bank customers on retirement planning, retirement income, etc., and followed up with phone calls,” he adds.

These days, department growth is mainly via word-of-mouth referrals, not only from existing clients but also from the bank’s frontline staff. “We work with all bank staff so they understand the benefits of this division and promote it to their customers,” Martin says.

Schumacher has a knack for building an immediate rapport and trust with new clients. He also speaks with them on a regular basis to conduct portfolio reviews.

“In addition, since we are a bank, Jeff gets to know our



**“We offer incentives not only to our bank’s retail staff, but also to our lender officers, to make referrals to the Investment Services department.”**

—Chad Martin,  
Goodfield State Bank

Chad Martin, president and CEO, and Jeff Schumacher, financial advisor, outside a Goodfield State Bank branch.

customers’ financial situations and goals, and takes an advice-driven approach to investing,” Martin adds.

Schumacher says the most significant challenges are regulatory in nature: “The investment industry is in the midst of some of its biggest regulatory scrutiny and changes, so a big part of our work involves meeting the requirements of those new regulations.”

Looking to the future, Goodfield State Bank has plans to expand the department. “Jeff’s assets under management have grown to the point where we are looking to bring on another advisor,” says Martin.

The community bank’s overall growth can be attributed to several reasons, including all employees’ understanding of the importance of promoting all divisions of the bank.

“I think a number of community banks hesitate to get into investment services because they are concerned that

this department will cannibalize deposits that the bank already has, leading to a run-off on deposits,” Martin says. “However, we have experienced just the opposite. Not only do other departments in the bank make referrals to Jeff, but Jeff also makes referrals back to other departments, and not only to the deposit side, but also to the lending side.

“For example, he has met with clients, such as small-business owners, who don’t have a lending relationship with the bank, and he refers them to our lenders.”

In sum, according to Martin, offering wealth management services is not only a viable way for community banks to increase non-deposit income, but also, if handled properly as part of a bank-wide strategy, to drive enterprise-wide growth. ■

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**William Atkinson** is a writer in Illinois.