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For Immediate Release:

Banks Need to Accelerate Their Transition to Advisory Business

Study of Investment Services in Regional and Community Banks Finds Much Work Still to Be Done to Prepare for DoL Implementation

CHAPEL HILL, NC NOVEMBER 2, 2016: Banks need to step up their nascent transition to advisory business if they hope to be ready for implementation of the Department of Labor's fiduciary rule for qualified retirement accounts in April. That was one of the key findings of a recent study of investment services in regional and community banks conducted by Kehrer Bielan Research & Consulting and sponsored by Raymond James.

"The DoL rule will push financial advisors to transition from a primarily transactions-for-commissions business to an advice model rooted in charging advisory fees on assets under management," commented Tim Kehrer, senior research analyst at Kehrer Bielan and author of the study. "Measured by this yardstick, the banks we studied have a long way to go to be compliant with the rule."

Regional and community banks that outsource investment services to a third party broker dealer derived 19% of their overall investment services revenue from advisory fees in 2015. The balance of their revenue is generated from transaction business and trail commissions.

"Bank investment services firms have made steady progress towards transitioning to advisory business over the past several years," continued Tim Kehrer. "Advisory fees as a share of total revenue increased 64% between 2010 and 2015 in financial institutions affiliated with third party broker dealers. Yet those fees still account for less than one fifth of total revenue today."

Kehrer Bielan research suggests that bank investment services firms have much to gain in the shift to advisory business, if they can overcome some hurdles.

"Investing a client in a fee-based product means forgoing revenue for both the advisor and the firm in the first year, which can be a barrier to making the transition to advisory business," commented Dr. Kenneth Kehrer, a principal of the firm. "But firms in the top quartile in terms of advisory production achieve higher revenue penetration of deposits and post better profit margins compared to firms that do less advisory business, and the advisors in those firms have higher average production, so both the firm and the advisor benefit after making the transition."

The *2015-2016 Kehrer Bielan Regional & Community Bank Survey*, sponsored by Raymond James, encompasses 20 leading bank investment services firms, all of which work with third party broker dealers. As is often the case in benchmarking research, the firms that participated in the study are high performers relative to industry averages. Compared to the 1,881 banks covered by the Kehrer Bielan Annual TPM Survey, the 20 bank investment firms that participated in the detailed benchmarking survey have average gross revenue per advisor that is 19% higher, produce more advisory business, and have 45% higher average revenue penetration of deposits.

For further information about the *2015-2016 Kehrer Bielan Regional & Community Bank Survey*, contact:

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About Kehrer Bielan Research & Consulting. KBR&C provides the financial advice industry with insights based on a melding of research and experience in managing the delivery of investment, insurance, and wealth management services. The firm provides performance assessment and benchmarking, human resource management and development, due diligence, consumer insights, and interpretation of industry trends through its original research, unbiased consulting, and peer study groups.

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