

Private Banking: Is It Right For You?

By Mark D. Thompson

What makes moving to a private bank the right choice, and when is the right time for you to make the move? If any of the scenarios described below resonate with you, your decision to switch to a private bank, and when to do so, may become clear.

Scenario: Over the past few years your bank has merged several times and you no longer know who your banker is. Perhaps you never did. Perhaps you are looking for a broader relationship with your banker — a relationship in which your banker truly listens to you and seeks to understand your needs, your family’s needs, and your business’s needs. Traditional banking products that you opted for in the past may no longer meet your financial needs today. Perhaps you require an integrated approach — one in which all of your banking and investment management services are working together to meet your unique goals. This holistic approach and relationship-focus is what defines a private bank. Like all banks, private banks can provide traditional, FDIC insured checking and savings accounts.

Or, perhaps you see yourself in one of these scenarios:

- You are a baby boomer looking to retire in the next five to ten years and you need a financial institution that understands your retirement goals.
- You are an executive with significant stock options that you would like to carefully diversify.
- You serve on a number of not-for-profit boards and are concerned that these organizations are being underserved by their current banks and investment advisors.
- You are an entrepreneur in the venture capital community and your portfolio is brimming with high-risk funds. You’re looking to diversify with more stable, lower risk investments.
- You are an attorney, accountant, or real estate broker seeking a banking partner who can help manage your clients’ assets. But you need a partner who is committed to providing the same level of trustworthy, personalized service and attention to detail that your clients have come to expect from you.
- You own a small- to mid-sized company that is seeking a financial partner who understands your business and will help you grow in your competitive marketplace. You are looking for a bank that can manage your money with an understanding of the many years of hard work that it represents.

If you recognize yourself in any of these scenarios, perhaps private banking is right for you.

What is the profile of the typical private banking client? Many people assume that private banking is exclusively for the wealthy individual who has accumulated wealth through inheritance and wants someone to carefully watch over his or her assets.

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While that assumption may be correct for some of the long-time private banking clients, the current profile of a private banking client is more complex. No longer is private banking exclusively for those with immense wealth. Today's private banking client is typically actively engaged in the wealth creation process. The client is an individual or business who seeks a banking relationship with an experienced banking and investment management professional who can provide exceptional personal service and has expertise in a variety of financial management realms. This same banking professional can anticipate clients' financial needs and provide recommendations designed to enable future growth for them or their business.

What does a private banker do? The private banker serves as a trusted advisor in a professional *and* personal partnership with clients and their other advisors, such as accountants and attorneys. The private banker forges lasting partnerships with his or her clients who are actively engaged in wealth creation. The private banker is part of a team of professionals who are accessible and able to provide counsel throughout a client's lifetime. This dedication to providing personalized service and support is a commitment that a private banker fulfills on a daily basis.

Let us look at what has happened to the banking industry nationally and locally over the last ten years. Not too long ago if you wanted to start a business or borrow money to buy a home, or were looking to provide for your child's education or your retirement, you visited your local banker who also was part of your community. He or she knew you and your family, and frequented the same stores and restaurants that you did. Today that type of relationship is a rare find.

Since 1986 the number of FDIC-insured commercial banks in the United States has dwindled from about 18,000 to slightly less than 7,500 today. Statewide, the situation is similar. Ten years ago Massachusetts had 52 FDIC-insured commercial banks. Today it has just 33. Eight of the ten largest commercial banks that operated in Massachusetts in 1993 no longer exist; most of them were the "victims" of their own success in that they were acquired in large mergers. Some say that the industry trend toward larger banking institutions is the price of success. But what people miss most in the banking industry's shift toward larger institutions is service, service that is accessible, responsive and personal. This type of service is the hallmark of private banking.

So, the question remains: What criteria should you consider when deciding if private banking is right for you?

Here are some factors you should consider. First, determine what you are looking for in a banking relationship. Is it personalized service with professional expertise and a relationship with a trusted advisor who can work with you, your family and/or your business over many years in various situations?

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If you are among the 1.87 million baby boomers living in Massachusetts today, you may want to build a relationship with a bank that understands retirement planning, business succession planning, and personal, mortgage, and business lending. You may also want a trusted banker who can counsel you in a number of different areas including deposit and cash management, investment management, and commercial banking.

If you are a small business owner looking for expansion capacity, you may want a banking relationship that provides counsel in commercial loans and financing. Perhaps you are associated with a not-for-profit agency that needs to find a trusted financial partner that understands your community. Perhaps your not-for-profit agency is looking for an institution whose staff and management serve on other local not-for-profit boards and who have a track record of investing in their communities. A truly well rounded private bank also has an active commitment to its community and to those in all stages of wealth creation. Additionally, it should have a strong First Time Homebuyer program and small business lending outreach in low- to moderate-income areas as well as upper-income areas.

If you are a business owner or a professional with a desire to grow and manage your wealth within a diverse portfolio, you may want a personal advisor who understands your risk tolerance and allows you the flexibility of various fixed-income and equity investments based on an understanding of your specific goals.

Once you have determined that private banking is the right solution for you, your family, and/or your business, how do you choose a private bank? Ask a client of the private bank you are considering, or ask your attorney, financial planner, or accountant. Determine if the institution has the stability and performance standards that will help you attain your financial goals. Look at the institution's mission statement and see if it matches your philosophy of investing.

After you have identified a number of banks, arrange personal interviews with the appropriate bank personnel. Make sure the people you interview are the people who would actually be managing your account. At a private bank, you will have one key contact for your banking and investment needs. You will also have access to a team of financial experts who will assist you with your day-to-day transactions and specific services. Be certain you feel comfortable with the team who will be working on your behalf. The essence of private banking is evident in the quality and longevity of the relationships that are forged over time.

It is important to have confidence in the team of professionals who will be advising you so that you can readily and fully trust their advice. However, as with any good relationship, communication is key. From the outset, you should have a very clear understanding of what you want and what you can expect from your private bank. At the beginning of your relationship,

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you should be willing to spend the necessary time discussing your goals and needs, and providing information so that your private banking advisor can tailor a financial plan that best suits your needs.

A good private bank will want your input. In the end, you should have a customized financial plan that will provide you, your family, and/or your business with the financial growth and stability you deserve. **If you have seen yourself in any of the scenarios outlined here and have been looking for the high quality, personalized service and expertise described above, a private bank is right for you, and the time to make your move may be now.**

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