BAI Research
PATHS TO PERFORMANCE™

Research Report

Competing in the Retirement-Dominated Future:

Developing Relationships First, Promoting Products Second

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About the Research

Competing in the Retirement-Dominated Future, a research project conducted by BAI Research and Mercatus LLC, with sponsorship support from Deluxe Corporation, is based on a survey completed by 2,997 mass affluent U.S. consumers between April 17 and May 2, 2007. The survey was fielded to an online panel managed by Harris Interactive and was completed by consumers between 35 and 70 years of age with investable assets between $50,000 and $2 million. The sample was stratified by age, gender, region and race based on U.S. Census Bureau data to ensure national representation. The sampling error on the national sample was +/- 1.97% at a 95% confidence level.

The research was designed to understand the attitudes and financial behaviors of mass affluent consumers in order to determine the drivers of decision-making in areas such as retirement investing and planning, asset rebalancing, 401(k) rollover and asset consolidation for income distribution. The analysis generated insights that will help banks deliver the expertise, competencies and products that will be required to position them as consumers' primary retirement service providers.

Competing in the Retirement-Dominated Future represents the first phase of multi-year initiatives by BAI Research and Mercatus LLC to identify strategies and tactics that banks can utilize to increase their relevance and credibility in retirement services.

Competing in the Retirement-Dominated Future:

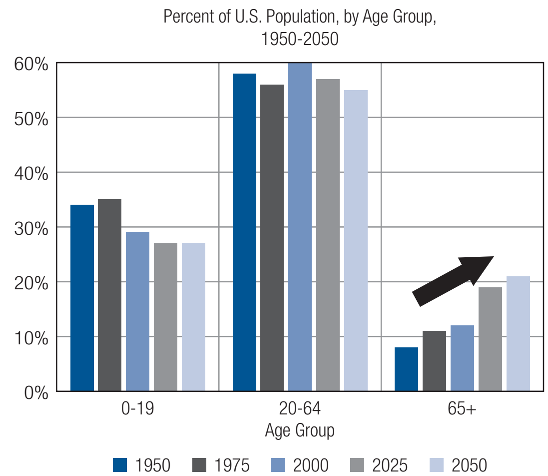
Developing Relationships First, Promoting Products Second

Few financial issues are as vitally important to adult consumers today as those related to retirement. The aging of America's baby boomer generation, combined with the increased reliance on defined contribution plans and the decline of traditional pension plans and social security, will firmly position retirement as the most pressing financial priority of mass affluent customers. Yet, few banks are prepared to effectively build upon their existing customer relationships and guide consumers toward reaching their retirement goals.

While investment houses are actively promoting the fact that their trusted advisors can help consumers navigate through the myriad of financial options in planning for retirement, banks are often busy talking about transaction accounts. Even when banks do promote retirement planning services, they often spend more time trying to sell specific products, such as IRAs and annuities, rather than have a meaningful dialogue with customers about what their retirement goals are and how they can help achieve them.

FIGURE 1: THE RETIREE POPULATION IS SURGING

The Aging of America's Baby Boomers Will be the Dominant Social Theme Through the Next Decade



SOURCE: U.S. CENSUS BUREAU

The result is banks' market share in such products as IRAs and other investable income accounts is eroding while brokerage houses and mutual fund companies capitalize on the banks' losses. Even more important, by not being attuned to their customers' retirement needs, banks risk losing the important role as trusted financial advisors to their most profitable customers — when the investable assets of those customers are at their peak.

Why haven't banks spent more time and resources developing financial planning and retirement investment relationships with their customers? While most banks recognize the opportunity and the need to develop retirement relationships, frontline employee compensation and execution issues as well as a general lack of relationship building acumen often preclude them from having those meaningful dialogues with customers.

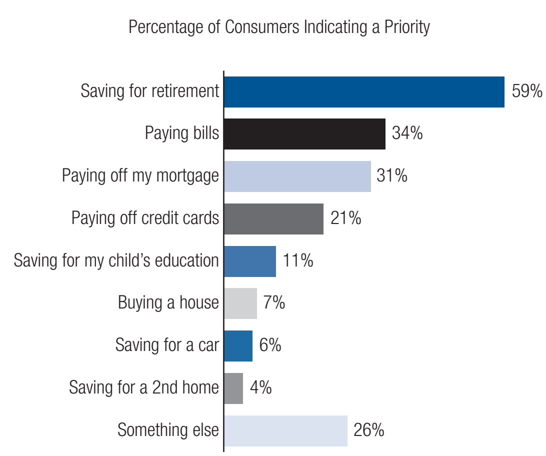
Indeed, the potential for providing valuable financial information and services to consumers about retirement has never been greater. And while some of the large investment houses have benefited greatly from the resources they have devoted to this market, it is still highly fragmented and ripe with opportunities for those banks that can build on existing customer relationships and provide their customers with meaningful counsel in retirement planning.

The aging of Americans has serious implications for banks (Figure 1). The percentage of the U.S. population that will be over 65 during the next five decades is staggering — almost 20 percent in 2025. And it is clear these individuals will need someone — if not banks, then their competitors — to provide information and tools to help them accumulate sufficient assets to live comfortably in their senior years.

Mass affluent consumers recognize the need to plan for their future. Even when compared to the more immediate pressing financial issues, such as paying their monthly bills and paying off their mortgages, saving for retirement was the top priority among mass affluent consumers, according to a recent

FIGURE 2: SAVING FOR RETIREMENT IS TOP OF MIND

Retirement is Decisively the Most Pressing Financial Priority of Mass Affluent Consumers



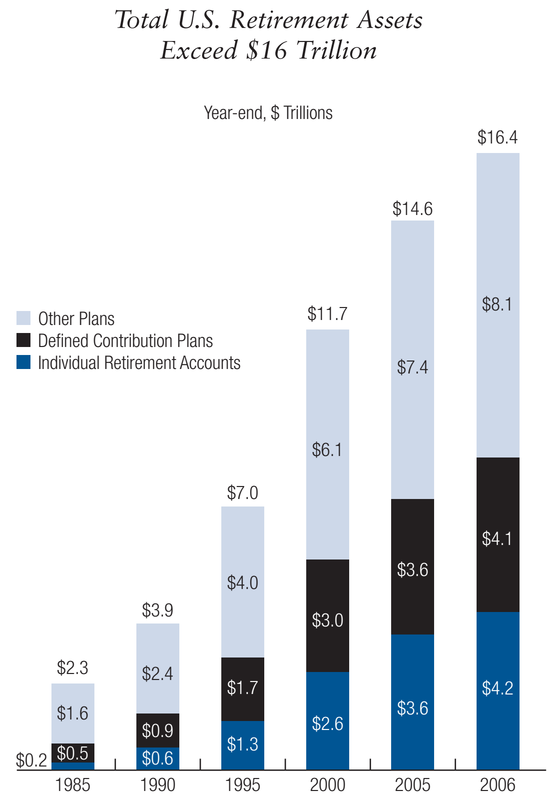
SOURCE: BAI RESEARCH AND MERCATUS LLC

study conducted by BAI Research, Mercatus LLC and Deluxe Corporation (Figure 2).

And more than just thinking about retirement, it is clear consumers are actually doing something about it and investing toward their future. The size of U.S. consumers' total retirement assets has skyrocketed in recent years to over $16 trillion (Figure 3).

But while retirement planning offers enormous opportunities for banks, it also presents significant challenges. Consumers who are concerned about their future, but lack the financial sophistication to sort through the myriad of investment products and opportunities available to them, are often left in the dark. If the bank they have trusted for years to provide them with savings, transactional and credit products doesn't invite them to receive the financial guidance they need for retirement planning, they will be left with no other option than to find someone else who will. And often they have. Nowhere is this more apparent than in IRAs — once a stronghold of banks. While banks and thrifts in 1990 controlled more than 40 percent of the market share of IRA assets, that amount has declined to less than 10 percent today — with mutual fund companies being the biggest benefactors.

FIGURE 3: THE RETIREMENT OPPORTUNITY IS LARGE AND GROWING RAPIDLY



SOURCE: ICI 2007 INVESTMENT COMPANY FACT BOOK, MAY 2007

But it's not just about IRAs and investments. Banks' eroding share of retirement accounts has broader implications. The inability of banks to retain the role of trusted financial advisors to consumers has resulted in bank deposits becoming a smaller portion of total household financial assets, and the desire for consumers to get higher rates of return has resulted in investment assets becoming more prominent. And when investment firms begin to penetrate the deposit relationships, banks will face a very serious challenge.

It is clear most banks have not positioned themselves well in a market that holds vast potential for them. Many large banks certainly do not lack for retirement planning and investment expertise. They have the products and many even operate their own brokerage and mutual fund arms. But, to date, few have been able to effectively capitalize on the opportunities before them. In some cases, they have not been able to effectively identify those customers who are most likely to be responsive to the banks' retirement messages. In other cases, they lacked the frontline training and certification necessary to approach customers. In most cases though, it is the compensation structure driven by pressures on short-term earnings that often leads many banks to focus on traditionally profitable products — checking and savings accounts and certain credit products — while largely setting aside the benefits of larger, more durable relationships.

Later in this report we will examine who the prime candidates are for retirement planning as defined by their behavioral characteristics. We will also identify three key opportunities for banks: 401(k) rollovers, consolidating assets for income distribution, and monitoring and rebalancing accounts. Finally, we will examine the organizational changes banks need to make in order to be successful in this market, how they need to communicate to customers, and how they should use technology and existing branch delivery systems to reach their customers.

Only 15 percent of mass affluent consumers in the BAI Research/ Mercatus survey cited a bank as their primary provider of retirement solutions and savings, compared to 53 percent for investment firms.

Focusing on the Right Customers

Much of the potential banks have to turn existing transactional or credit customer relationships into new retirement relationships will come from banks' ability to identify the right individuals. While a similar statement might be said about any bank product or service, with retirement planning, it is especially important banks identify the segment of their customer base that is both most likely to require advice in retirement planning and most receptive to receiving advice from a bank.

Yet for years, many banks failed to apply a segmentation approach to the retirement opportunity reflecting the underlying factors that drive consumer decision making. Instead, they have tended to propose the same product mix and communicated the same messages to all their customers. If banks took a segmentation approach at all, it most likely involved a flawed strategy. Generally, those banks focused their efforts on studying demographic details, such as income and age, so they could identify the wealthiest individuals who were at the right age to think about retirement.

But rather than look at demographic profiles, our research suggests banks should instead attempt to identify attitudinal and behavioral factors that could pinpoint customers ripe for retirement services.

Banks' focus primarily on demographics has had predictable results. The research shows nearly half of all mass affluent customers say they are receptive to going to their primary bank for retirement planning. And the receptivity increases with banks that have brokerage capabilities. Yet this overall receptivity does not translate into results. Most banks have failed to capitalize on their customers' interest and trust — primary banks hold only 23 percent of customers' investable assets.

What is the reason for the disparity in receptivity and actual performance? Banks may have focused on the wrong customers with the wrong message.

Banks have typically focused their strategies on advice-seeking customers with higher incomes and investment assets. But these individuals typically are confident and knowledgeable about investing for retirement and they appreciate having a relationship with a financial professional. And while they are attractive customers, for deep-seated attitudinal reasons, they are not receptive to receiving investment or retirement services from banks.

By contrast, mass affluent consumers who are generally less confident about retirement, and who are worried they lack sufficient assets to retire, are the most receptive to bank messages. These consumers are not highly knowledgeable about investing and don't spend much time at it. Banks that deploy marketing messages designed to raise awareness, trust and empathy have a strong opportunity to reach this customer base.

And banks should keep in mind that while this group may lack confidence in their own ability to plan for retirement, they are still a very profitable group. For one thing, they are quite numerous, representing 69 percent of the mass affluent population, with annual household incomes exceeding $92,000 and average investable assets exceeding $370,000.

FIGURE 4: SIX SEGMENTS OF DEMAND FOR RETIREMENT

The Six Segments Exhibit Very Distinct Attitudinal and Behavioral Profiles

Traditional Advice Seekers	• I am confident about my financial future and am certain I will retire comfortably. • I understand financial markets and the investing process. • I seek advice from financial institutions — and am willing to pay for it.
Overwhelmed Strugglers	• I am very worried about my financial future and retirement. • I don't really understand investing, nor do I want to spend time figuring it out. • I will look for someone to help me and I'll pay for that help.
Uninvolved Relationship Seekers	• While I am not confident about retirement, I am not going to worry about it. • I am too busy to spend time figuring it out. I will find an advisor to help me, but I don't trust those big institutions.
Uninvolved Fatalists	• I don't think I will have enough for retirement, but I am not going to worry about it — what will be will be. • I figure out what I can by myself, because I don't feel comfortable talking about financial matters with 'financial professionals.
Highly Engaged Worriers	• While I am very concerned about my financial security in retirement, I should be okay — mainly because I pay so much attention to it. • I enjoy spending time on it, it is something I understand and like to do myself.
Independent Enthusiasts	• I am all set with my retirement — I have the tools, research and trading capabilities online to do it all myself. • Because I really understand investing, I don't need or want anyone to help me.

■ Target for Banks

SOURCE: BAI RESEARCH AND MERCATUS LLC

To understand this group better, a closer look needs to be taken at the attitudes and behaviors that affect customer decision-making with regard to retirement. According to the BAI/Mercatus analysis, bank customers can be divided into six segments based on their attitudes and behaviors (Figure 4). Examining how receptive they are to bank dialogue regarding retirement planning, and what their attitudes are about financial issues, provides a great deal of insight into how they could be best approached and which segments hold the most potential.

The segments studied were:

- **Traditional Advice Seekers:** these highly affluent individuals proactively seek out advice about financial planning and are confident about their ability to provide for their retirement; they are unlikely to go to a bank for advice and assistance in retirement planning.

- **Overwhelmed Strugglers (A Bank Target):** although slightly less affluent than others, these individuals seek financial advisors for person-to-person assistance; they are somewhat confident in their ability to plan for retirement, but concerned about their future and are the most likely to go to a bank for assistance.

- **Uninvolved Relationship Seekers (A Bank Target):** these customers passively seek financial advisors for person-to-person meetings; they are not confident nor are they concerned about their retirement, but they are receptive to assistance from their bank.

- **Uninvolved Fatalists (A Bank Target):** these customers rarely seek financial advice, but when they do they want it in person; they are not confident and are highly concerned about their retirement, but are unlikely to seek assistance from a bank.

- **Highly Engaged Worriers (A Bank Target):** these customers rely on Internet tools and interaction for financial dealings and are moderately confident, but highly concerned about their retirement; they are neutral about going to a bank for advice.

- **Independent Enthusiasts:** these individuals rely on Internet tools and are confident and not concerned about their future; they are unlikely to go to a bank for assistance.

The best segments for banks to pursue within the mass affluent population with messages about retirement planning are the Overwhelmed Strugglers, Uninvolved Fatalists, Uninvolved Relationship Seekers and Highly Engaged Worriers. Although these four segments are the least confident and the most concerned about their future, they do have meaningful investable assets and are receptive to establishing a retirement dialogue with their bank.

And identifying these less-confident customer segments may not be as difficult as bankers imagine. Frontline staff can usually ascertain where customers are positioned in terms of their confidence level by engaging them in a conversation or survey that includes the following questions:

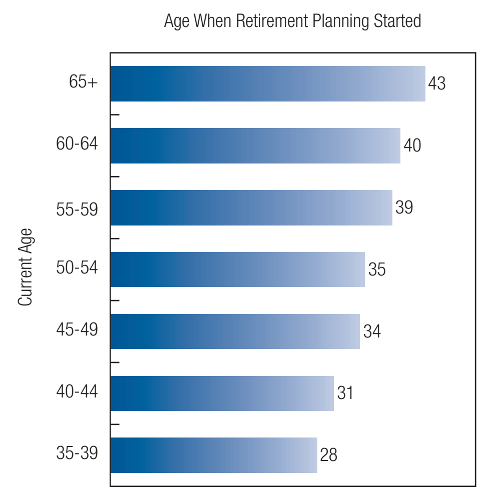
- How confident are you in managing investments?
- How concerned are you that you will have sufficient assets in retirement?
- How involved are you in making retirement financial decisions?

If customers provide negative or uncertain responses to at least two of these questions, there is a very high likelihood they fall into the "less-confident" category. These consumers represent the segment banks should place attention on with messages that focus on themes of confidence, concern and engagement.

As part of their focus on the less confident consumer, banks also need to think outside the Baby Boomer box. While much attention has been paid to this age group, now nearing retirement, the Boomer segment is not the only group of customers on which banks need to concentrate. The generations that follow the Baby Boomers are more educated and self-directed than any prior generation, and many of these customers have been overlooked by financial providers. It may be incorrectly assumed they are not ready to discuss retirement services yet. But banks need to start building relevance and credibility with these younger consumers now in order to remain in the consideration set as their financial needs and assets expand.

FIGURE 5: RETIREMENT PLANNING IS BEGINNING EARLIER

Mass Affluent Consumers are Planning for Retirement Earlier in Life



SOURCE: BAI RESEARCH AND MERCATUS LLC

The research also found consumers are increasingly starting early to plan for retirement and banks should consider this when developing their segmentation plans and not overlook younger customers (Figure 5).

By identifying and pursuing the correct target market, banks will take the first step in an effort to have a meaningful dialogue with their customers. The next step is to make sure they are offering and emphasizing services that match these consumers' needs.

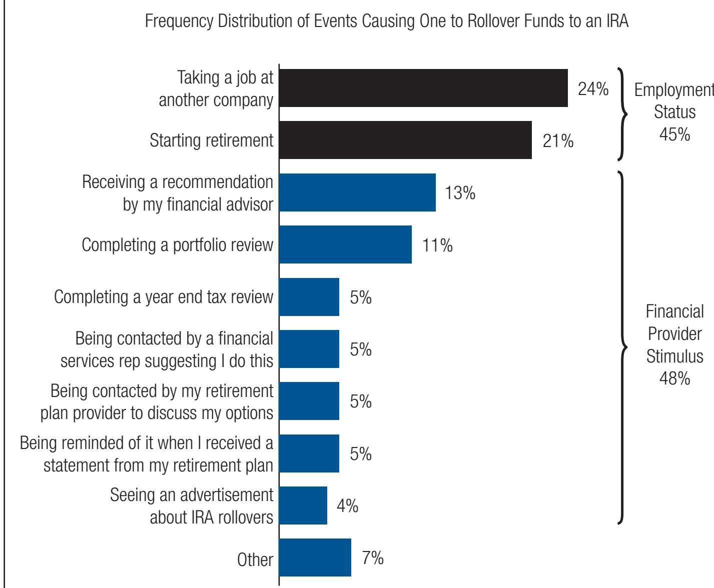
An Engaging Dialogue

Once banks have identified those customers who are most receptive to hearing a bank-generated message about retirement planning, the next step is to determine what the bank should say in that message. A strategy will not be successful if it simply involves assessing which retirement- and investment-related products are the most profitable to the bank.

Instead, bank advisors need to determine what product mix and services are most beneficial to each individual and discuss the benefits of these services with the customer as their financial situation is reviewed. And while the ultimate best product mix and services will vary by customer, we have found three key opportunities banks should consider: 401(k) rollovers, consolidating assets for income distribution, and monitoring and rebalancing accounts.

FIGURE 6: THE 401(K) ROLLOVER OPPORTUNITY

Events Linked to Employment Status Prompt Nearly Half of 401(k) Rollovers, Leaving Financial Providers Room to Provide Their Own Stimulus to Change.



SOURCE: BAI RESEARCH AND MERCATUS LLC

One of the biggest opportunities for banks today concerns “orphaned 401(k)s” — 401(k) assets still held in plans of previous employers. Consumers recognize employer-sponsored plans as the prime means to develop and accumulate retirement assets. Yet as consumers change jobs, retire or simply reassess their financial situations, there is frequently a need for them to consolidate orphaned 401(k)s into an IRA rollover account. A third of mass affluent households have at least one orphaned 401(k) account with an average balance of $100,000. These accounts, with an aggregate value of over $1 trillion in funds, are often largely overlooked by retail banks.

In addition, ninety-five percent of the $1.1 trillion dollars that flowed into IRAs over the past five years came from 401(k) rollovers, while just five percent came from direct IRA contributions, according to the Investment Company Institute. Thus, developing and positioning the capabilities to capture 401(k) rollovers is essential to banks in generating retirement asset growth.

But banks have not fared well in comparison to competitors in capturing this business. Today, banks capture only 18 percent of 401(k) rollovers from mass affluent consumers while investment firms capture 67 percent.

If banks are to benefit from this hugely lucrative market, they need to change their approach. First, they need to consider why consumers are initiating rollovers. About 45 percent of 401(k) rollovers are the result of a change in employment status, such as starting retirement or changing employers. The remainder occurs in response to a stimulus directly initiated by a financial institution. Consumers who receive recommendations from financial providers, or have completed a portfolio review or year-end tax review, are often motivated to switch (Figure 6).

Why don’t consumers roll over their retirement assets? Simple inertia on their part can account for the majority of the reasons. Banks can counter this inertia to some degree by effectively communicating to consumers the urgency and benefits from rolling over these funds. Only about a third of mass affluent consumers (35 percent) said they kept funds where they were because they were satisfied with the plan’s investment options. And even that reflects a failure on

FIGURE 7: INVESTMENT FIRMS ARE LOOKING MORE LIKE BANKS

New Cash Management Accounts from Fidelity Investments and Charles Schwab are Increasingly Bank-like and Competing to Attract Core Deposits and Payments.

	Fidelity Investments mySmart Cash Account℠	Charles Schwab & Co. Schwab Bank High Yield Investor Checking™
Introduced	August 2007	April 2007
Rate & Minimum Balance	• 3.50% APY with no minimum balance requirements and no monthly fees	• 4.24% APY with no minimum balance requirements and no monthly fees
ATM Card & Fees	• No ATM fees • Automatic rebate of any ATM fee charged by any bank	• No ATM fees • Automatic rebate of any ATM fee charged by any bank
Online Bill Payment	Free	Free
Account Transfers	Free	Free
Overdraft Protection	Yes, with linked brokerage account	Yes, with linked brokerage account
Checkbook	Free	Free
FDIC Insured	Yes	Yes

SOURCE: WEB SITES OF FIDELITY INVESTMENTS AND CHARLES SCHWAB & CO.

financial providers' part to communicate the benefits of rolling the funds into an IRA.

And while banks have not been successful in this market in the past, there is still plenty of opportunity for them to increase their market share. Despite the success of a few individual firms that control nearly half the market, the remaining majority of the market is still highly fragmented, indicating there is still room for banks to become more aggressive and successful before the market consolidates.

In addition to 401(k) rollovers, a second significant opportunity for banks to consider is retirement asset consolidation. At the point of retirement, the priorities of mass affluent consumers shift from asset accumulation to securing a steady stream of dependable income. Consolidation of retirement assets for income distribution enables greater efficiency in working with advisors, managing assets and handling day-to-day cash payments. Banks have an enormous potential to capitalize on this opportunity given their pre-existing relationships with their customers. Banks already capture 30 percent of consolidations for income distribution compared to 57 percent by investment companies. But banks should not be complacent with their relative strength in this area as investment firms are heavily targeting this opportunity as well.

In recent months, firms such as Fidelity Investments and Charles Schwab Corp. have launched high-profile initiatives to offer high-yield checking accounts with a full range of ATM and online bill payment capabilities. In time, almost every major brokerage and mutual fund provider is expected offer a full suite of transaction, payment and credit capabilities. These firms are targeting the core deposit and lending services traditionally offered by banks, with the goal of establishing themselves as a primary financial services provider (Figure 7).

Banks must counter this threat, and they have the resources at their disposal to do so. The vast majority of consumers who consolidate retirement assets for the purposes of income distribution are 50 years of age or older. Banks have pre-existing checking and deposit relationships with the majority of these consumers that can be expanded upon for asset consolidation.

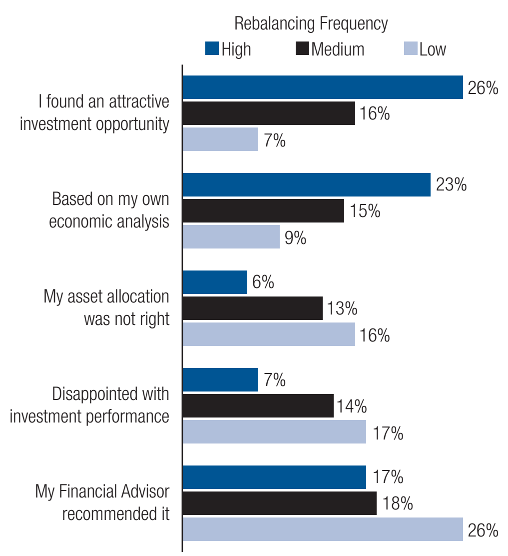
In targeting this market, banks should identify and establish dialogue with consumers who are likely to need these services in the immediate future, and discuss the ways in which they can assist them. Additionally, banks can leverage existing tools, such as online banking services and bill payment, as these services were viewed very favorably by consumers seeking to consolidate retirement assets.

The final area banks should focus on is providing information, online tools and education to help customers monitor and rebalance their retirement investment assets. How mass affluent consumers manage and rebalance their retirement assets presents great potential opportunities for banks. Like the orphaned 401(k)s, many other retirement investment accounts are opened by consumers and then largely ignored. The most highly valued banks will be those that can draw attention to these accounts and work with consumers to ensure their retirement investments are allocated properly and achieving competitive returns. These steps will enhance the positioning of banks as credible and trusted providers of retirement services.

As might be expected, consumer behavior varies widely in terms of the frequency in which they monitor their investments, with nearly 20 percent of consumers checking them daily and about 12 percent checking them once a year or less. Similarly, the frequency in which these consumers make portfolio adjustments also varies widely with about 14 percent making adjustments at least once at month; 36 percent making an adjustment more than once a year, but less than once a month; 18 percent making them once a year; and 24 percent making them less than once a year or even never.

FIGURE 8: EVENTS THAT CAUSE RETIREMENT INVESTMENT REBALANCING

Consumers Who Rebalance More Frequently Tend to be More Self-Directed



SOURCE: BAI RESEARCH AND MERCATUS LLC

Analyzing the frequency with which consumers monitor and adjust their retirement investment accounts allows the creation of consumer "rebalancing" styles. Our research shows there is a strong correlation between how often consumers adjust their accounts and how they allocate their portfolio assets. High-frequency adjustors put a much higher percentage of their assets in stocks, bonds and treasury accounts, while low-frequency adjustors gravitate more toward Exchange Traded Funds and money market accounts.

Surprisingly, there is only a very modest correlation between the frequency with which consumers adjust their accounts and their age and asset levels. More important, however, is the correlation between consumer confidence and the frequency with which consumers adjust their accounts — more confident consumers adjust more frequently. This reinforces the need for banks to reach out to the less confident consumers to engage them in managing their retirement assets and investments.

There is also a strong correlation between who makes the adjustments for consumers and the frequency level with which they make adjustments. Consumers who frequently adjust their accounts tend to do it themselves — 62 percent make their own adjustments versus 16 percent made by a brokerage professional and eight percent by a bank professional. By contrast, only 38 percent of consumers who infrequently adjust their accounts do so themselves versus 24 percent who use stock brokers and four percent who use their bankers.

The reasons consumers make adjustments also vary by the frequency with which they make those adjustments. High-frequency adjusters were typically motivated by finding an attractive opportunity and by the results of their economic analysis while low-frequency adjusters tended to be motivated by advisors' recommendations and a disappointment with investment performance (Figure 8).

Banks that examine the frequency with which their customers monitor and adjust their accounts, and then consider the attitudes of those customers, can view these trends with an eye toward pinpointing those customers who are most likely to be receptive to advice regarding making portfolio adjustments. Some customers will be comfortable adjusting their portfolios via an online environment, while other customers will seek the reassurance of conversations with retirement specialists. But by analyzing the frequency of their customers' monitoring and adjustment behaviors, banks will be in a better position to deliver their portfolio monitoring and rebalancing tools in a manner that strengthens customer relationships.

Online banking and bill payment services are viewed very favorably by consumers seeking to consolidate retirement assets for income distribution.

Positioning to Capitalize on Existing Relationships

Once a bank has identified the customers with whom to pursue a retirement relationship, it then has to figure out how to deliver its message.

Convincing consumers a bank has the expertise to help them plan for their future, and initiating a dialogue with customers regarding their retirement, will require banks to realign across the organization — from branding and marketing to product and distribution capabilities. And there is a critical need for banks to invest in marketing and communication programs that position them in consumers' minds as trusted providers of retirement solutions — in stark contrast to today's transactional product focus.

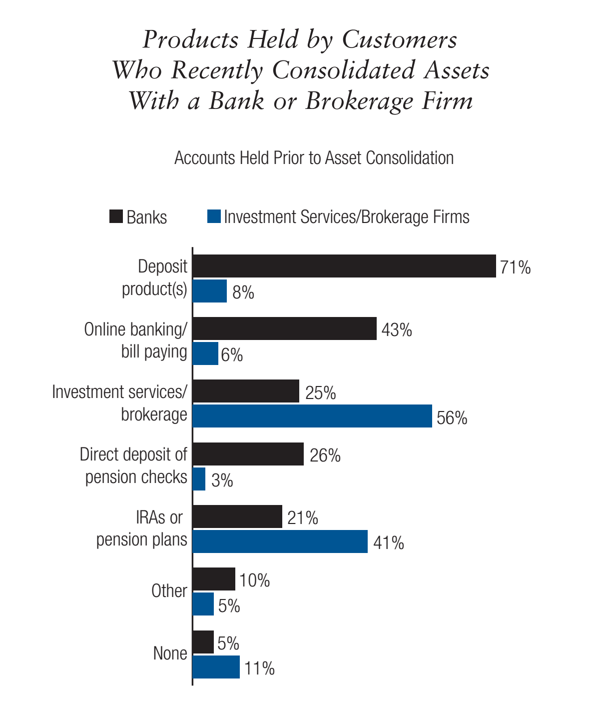
Banks will need to be consistent with their retirement message throughout the organization. This will require communication and intelligence sharing across traditional bank boundaries. For example, many of the prime candidates for retirement services are owners of small businesses. Bank executives who work with small business accounts could then play important roles in promoting the bank's image as trusted retirement advisors. Small business account executives, both on the deposit and credit side, should be on the alert for candidates likely to require retirement assistance and make the proper introductions between the customers and the bank retirement specialists. Who better knows how an entrepreneur is positioned for retirement than the banker who guides his or her business?

Communication and customer engagement efforts should occur through all channels, even though each distribution channel may play a separate and distinct role. Because the retirement dialogue is often intimate, it is critical that branch and contact-center employees be involved in surveying customers about their retirement goals. Once surveyed, customers can easily be transitioned to specialists who can assist them in developing a retirement plan that is appropriate for their needs and aspirations.

Contact centers can play a critical role. Indeed institutions like Fidelity and Vanguard have developed market leadership positions in retirement with a significant reliance on their contact centers. Contact center employees should be on the alert to identify candidates who match the earlier described profiles and should attempt an introduction for a discussion with bank retirement specialists. In addition, they should be trained to answer basic questions about retirement services while referring customers who require more details and assistance.

Direct and in-store marketing materials should emphasize the existing trusted relationships customers have with their banks. Marketing messages should emphasize the bank's knowledgeable expertise, but in

FIGURE 9: PRODUCTS AND SERVICES HELD PRIOR TO ASSET CONSOLIDATION



SOURCE: BAI RESEARCH AND MERCATUS LLC

a way that is easy, helpful, friendly and reassuring. Such messages will resonate with consumers who lack the confidence in their own abilities to develop and administer their retirement plans.

And while impersonal mass e-mails promoting bank retirement services may not be the best means to reach consumers to discuss their financial future, there is a strong role for banks' online delivery channel to play in furthering the retirement relationship. Research suggests consumers will also benefit from a full set of complementary online tools, asset allocation and rebalancing guidance, retirement calculators, planning blueprints and information related to research and performance on retirement investments.

In fact, according to our research, the two biggest factors that drove the election of the firm which received 401(k) rollovers were online retirement tools and online information on retirement. An institution's online capabilities even scored ahead of breadth of retirement products, low costs and free services and level of retirement expertise.

Additionally, the ability for a bank to provide online banking and bill payment scored high in importance to consumers' decisions to consolidate assets with a financial service provider (Figure 9). And it is a well-known fact that customers who use online banking, especially online bill payment services, are stickier and carry larger balances than other customers. And such sticky, high-balance customers are a lucrative base on which banks can build retirement relationships.

Finally, banks will need to reconsider their frontline compensation programs — while the commitment must come from the top, the engagement on the frontlines about retirement services will come only when employees have goals to develop retirement relationships, rather than focus solely on transactional and credit ones. This will require a sincere commitment at the highest level from banks, as it may take a few years to see the economic benefits of a retirement-oriented focus.

Those banks that develop strong and targeted marketing messages, focus on the key opportunities (rollovers, consolidation and monitoring), identify existing customers with retirement concerns, encourage cross-department communication, have a well trained branch and contact center staff and leverage their traditional technical leadership in online functionality will be ahead of the game.

Conclusion

It should be clear by now that there is huge opportunity awaiting banks in helping customers plan for and enjoy their retirement. The growth in the amount of assets kept in retirement-related accounts is staggering and there has never been a greater need for retirement planning assistance. Yet it also should be clear that banks cannot continue in their traditional role of pushing products over developing relationships.

Those banks that continue to pursue the wrong customer base, do not know how to effectively communicate with existing customers about retirement issues, and do not have the right organizational structure in place, will be doomed to failure.

On the other hand, the current fragmented market provides plenty of opportunity today for banks that have identified those mass affluent customers who lack confidence in their own ability to plan for retirement and are concerned about their future. The successful banks will initiate dialogue with these customers around three bank services: 401(k) rollovers, consolidating assets for income distribution, and monitoring and rebalancing accounts.

Furthermore, successful banks must realign and refocus their branding, channel operations and technology platforms to reflect a common commitment to helping customers to better prepare for retirement. A logical starting point for this is to capitalize on their tremendous cash-management capabilities in capturing consolidations of assets for income distribution. While refocusing their efforts on retirement, banks must initiate a solid marketing program geared at building credibility and relevance with the appropriate segments of customers — one of the biggest challenges banks face today.

Those banks that recognize the opportunities available to them, target and position their retirement services and assessments to those who are predisposed to them, and aggressively communicate to their customers that they can help them plan for the future, will reap the rewards. Not only will these banks see greater revenue opportunities from retirement-related products and services, they will likely strengthen their deposit and credit relationships and retain the role of trusted advisor.

About Deluxe

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One Deluxe. One Future.

Innovative. Hard working. Honest. Entrepreneurial. These are the words our customers and employees use when they talk about Deluxe. Building on our legacy as one of the top check producers in North America, Deluxe has evolved into a trusted and valued advisor to financial institutions and small businesses.

A Fortune 1000 company with more than 8,000 employees, Deluxe helps financial institutions and small businesses grow their businesses through a wide range of innovative products and services in fraud prevention, customer loyalty and brand building.

Deluxe is also a proud community leader. Through the Deluxe Foundation, it has contributed more than $82 million to local organizations and charitable giving programs since 1952. Over the years, Deluxe has received a number of prestigious awards for its responsible corporate citizenship, governance and industry best practices .

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Mercatus LLC is a financial services strategy consulting and investment firm with expertise in retirement services. Mercatus works with leading financial services providers and private equity firms to make investment and business growth decisions. Clients represent a broad range of financial services institutions, from large corporations to early stage ventures. Mercatus is dedicated to delivering insights, innovative thinking, and execution-oriented strategies required to compete effectively in today's marketplace.

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