PRIVATE TRUST GROUP OF AMERICA

All Trust Business Is Local

"This [a run for the Cambridge City Council] was the only race I ever lost in my life, but in the process, I learned two extremely valuable lessons. During the campaign, my father had left me to my own devices, but when it was over, he pointed out that I had taken my own neighborhood for granted. He was right: I had received a tremendous vote in the other sections of the city, but I hadn't worked hard enough in my own backyard. 'Let me tell you something I learned years ago,' he said. 'All politics is local.'" – From *Man of the House*, the 1987 autobiography of Thomas P. (Tip) O'Neill, Jr., a Massachusetts political icon and former Speaker of the U. S. House of Representatives.

For the past decade, large multi-national financial institutions have increasingly siphoned off clients from community banks, trust companies and other local wealth management professionals by offering access to hedge funds, derivatives and other non-traditional investments. The Wall Street geniuses who created these "sophisticated" investments had little regard for the inherent risks of packaging products that even they could not understand, with the predictable result that many investors lost a big chunk of their life's savings.

Some very good companies failed as a result of the recklessness that permeated Wall Street, while others were bailed out by the federal government (i.e., the U. S. taxpayer) because they were "too big to fail." Not since the Great Depression has the general public been so rattled by the rapid decline in our financial institutions and the government's inexplicable failure to intervene, despite early warning signs, before the crisis unfolded.

Although there has been a failure of confidence across the full financial spectrum, for the most part damages have been limited to large institutions. The sense that large, uncontrollable and under-regulated financial institutions are at the core of the current financial crisis bodes well for those traditional community banks, trust companies and other local wealth management professionals who have managed their businesses well by adhering to the bedrock standards and principles that have made them pillars of their communities.

Now is the time to welcome home those people in your community who were blinded by the slick Madison Avenue marketing and Wall Street promises of unsustainable returns. Investors are in dire need of a comforting message from a local wealth management professional or institution that has endured the cyclical nature of investing without the “sophisticated” investments that have brought down some of the country’s most renowned financial institutions. To paraphrase the late Mr. O’Neill, ‘All **trust business** is local,’ which means that you should be combing your databases, holding seminars and making presentations to local community leaders and prospects as never before.

A Matter of Trust

According to a recent poll of 1,000 heads of households by TNS, a New York-based market information firm, over half indicated that they lost confidence in large banks over the final quarter of 2008. (No surprise there!) By a similar margin, respondents indicated that confidence in community banks had not been affected by the financial crisis. In fact, about 20% of those polled said that their perception of smaller financial institutions has actually improved.

How do community banks, small trust companies and local professional wealth managers capitalize on the market-driven advantage created by this crisis of confidence in larger institutions? By focusing on the “heritage of trust” that is enjoyed by many local financial institutions who may have served their communities and some families for generations. In this environment, large institutions should not be able to compete effectively with the obvious safety and trustworthiness of local institutions managed by people with deep roots in the local community.

Promoting a “heritage of trust” cannot be an empty slogan – it must be earned. Institutional trust is earned by having a record of stability over several economic cycles and being actively engaged in the local community. This is in the DNA of many local financial institutions, so that ‘trust’ has already been earned. Now is the time to promote this underutilized asset to give your clients a sense of safety and comfort during these uncertain economic times.

Managing Risk

The financial crisis could not have come at a worse time for many baby boomers approaching retirement. Coming less than nine years after the infamous internet/technology bubble burst in early 2000, the current financial crisis will make investors more averse to risk than ever before. This is another advantage that favors smaller financial institutions over larger ones.

Smaller institutions have generally shied away from the hybrid investments that larger institutions rely on in pursuit of an unquenchable thirst for high-margin products to support their culture of greed. As we have learned over the past few months, many of these investments were ill advised, even to the most sophisticated investors. Clients' psychological comfort zone for investments will now dictate a more conservative approach to investing, which should play into the inherent advantages offered by small, local institutions.

Contacting clients to review their Investment Policy Statements is a good way to show that you are aware of the need to confirm long-term goals and refine their investment objectives in light of the very dramatic change in economic conditions that could be with us for several years. You should find a very receptive audience – especially from those prospects who currently have accounts with a larger financial institution.

Getting Back to Basics

Out of necessity, the average client's focus has changed from building a nest egg to preserving what is left of the nest. Consequently, he/she will probably be more interested in getting back to the basics of asset preservation and retirement planning than stretching for high returns that may not be attainable in the near future.

The current financial and economic conditions are almost certain to create a renewed awareness of the role social security will play in clients' retirement plans. According to a recent survey by Fidelity Investments, nearly half of eligible social security recipients will elect to receive benefits at age 62, citing a concern for health and longevity, as well as an immediate financial need for basic living expenses.

The Fidelity survey found that nearly 75% of the group has no formal retirement plan and only 22% were able to accurately forecast their social security benefits. According to Carolyn Clancy, Executive Vice President of Fidelity Investments Personal and Workplace Investing, “Many Americans who are within one year of beginning to collect their social security retirement benefits may be planning to rely too much on it, considering social security currently only funds a little more than one-third, or 37% of an average retiree’s income.”

The “penalty” for electing to take social security benefits before age 70 is about 8% annually. To put this into context, a married couple with the requisite contributions and retiring at age 62 would receive combined annual benefits of about $41,800. If that same couple waited until age 65 or 70, their combined annual benefits would increase to about $55,000 and $77,000, respectively. – Source: *Social Security Administration*

Despite the many variables that must be considered, adding social security benefits to the retirement equation presents a back-to-basics educational opportunity to help clients understand that we really are in a different economic environment. Analyzing various options will help clients make a more informed decision regarding their lifetime retirement income plan, and will help solidify client relationships.

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About Private Trust Group of America

In an era of increased competition for providing trust and wealth management services, Private Trust Group of America offers efficient, cost-effective back office processing and administrative solutions that enable our clients to focus their attention on maintaining and building important client relationships. Moreover, in an era of declining knowledge of trust accounting principles, high employee turnover and low expectations, we provide experience, stability and unmatched attention to detail.

Private Trust Group of America's executives and professional staff are comprised of personal trust and wealth management experts who have more than 200 years of combined trust administration, operations and related industry experience. Our professional staff's average experience exceeds 20 years.

In addition to offering full technology-based administrative and operational support to trust companies, bank trust departments, family trust offices, law firms and similar personal fiduciaries, PTG provides the following services:

- Written business plans for de novo trust departments;
- Assistance with federal and state trust charter applications;
- Assistance with regulatory compliance matters;
- Develop written policies and procedures;
- Expert witness testimony;
- Design and monitor a customized Practice Management Program;
- Draft specific RFP guidelines and monitor the review process;
- Independent review of business practices and profitability issues;
- Trust department valuation for potential sales and/or acquisitions.

For more information about how Private Trust Group of America can help you succeed, please call 978-463-9099 and ask for Sandi Lotito, our Founder, or Ray Brearey, our Director of Sales & Marketing. You may also contact Sandi at sbl@privatetrustgroup.com, or Ray at rayb@privatetrustgroup.com.