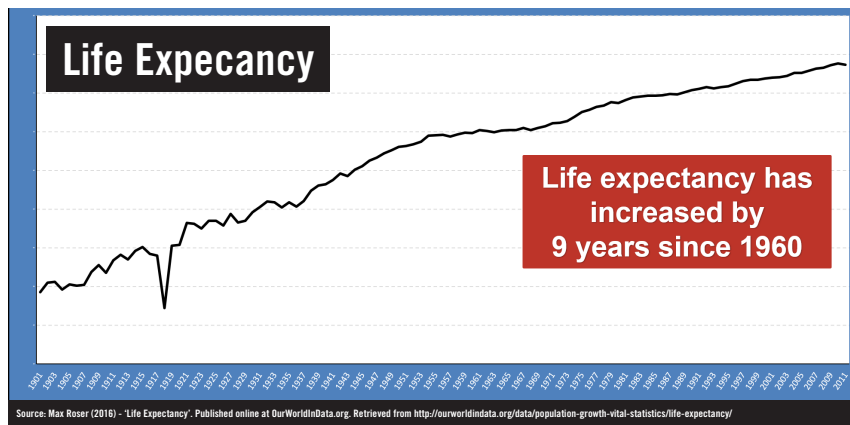


The Golden Age of Banking is Here

Are You Ready to Compete?

Banking NEW ENGLAND
THE RESOURCE FOR NEW ENGLAND'S FINANCIAL LEADERS



Tom Long is principal of The Long Group LLC. The Long Group offers a suite of trademarked solutions for financial institutions to improve performance by driving revenue and controlling cost. Tom can be reached at 603-424-5664 or tomlong@longgrouponline.com.

BY TOM LONG

The need for growth is real.

Thin margins have become the new normal. The revenue impact of this margin collapse requires additional volume. Furthermore, community banks are faced with increasing costs of doing business. Contributing factors include escalating compliance costs, required investments in technology and year over year increases in salary and benefits expense. By necessity, a sustainable business model is one that is focused on revenue growth.

This certainly does not describe a golden age. So, let's examine the macroeconomic factors that will drive revenue growth on a sustained basis for every community bank.

For over 23 years The Long Group has been capturing the pulse of financial purchase behavior among both consumers and business. Today, the collective voice contained in the database is hundreds and hundreds of thousand strong, offering unparalleled predictive value. Here is what we see and how each community bank will benefit from the evolving macroeconomic environment.

With an acute need to grow revenue to offset the impact of margin compression as well as the requirement to pay for an increasing expense burden, two sweeping changes will favorably impact demand to the benefit every community bank.

The first shift is demographic. The population of the United States is shaped by generations, with a new generation born once every 20 years. Generations are tracked through

time by trending births. The exhibit is utilized to illustrate more than a century of generations within the United States. As an orientation, Tom Brokaw famously introduced America to the term the Greatest Generation. This generation won World War II and built this great country. Few remain with us today. The generation that followed were named the Silent Generation, simply because they had no war stories to tell. Post-war prosperity ushered in the Baby Boomers, which was followed by Gen X and the Millennials. As children, Gen Z is currently shaping itself.

As community bankers, we, as an industry, are in the business of selling finished goods – loans – and sourcing raw material – deposits. To date our primary loan target audience has been Gen X and corresponding deposit audience has been the Silent Generation. What do these two segment have in common? They are both the two smallest generations of the last century, which has compromised every community bank's ability to grow.

The generational shift, now underway, is ushering in a golden age of banking and the accompanying explosive growth in demand for both loans and deposits. To succeed, Millennials and Baby Boomers must fast become the focus of every community bank's loan and deposit generation strategy. More importantly, this shift in focus will benefit each community bank with a rise in both loan and deposit demand over each year for the next 20 years. The need for additional revenue is clear. The opportunity to capture it is sustainable.

The second macroeconomic factor shaping demand is characterized by a behavioral shift. This behavioral shift is perhaps best captured by life expectancy in the United States, which has expanded by nearly a decade in the last 55 years. Consumers simply have more time, and they have used this time to defer marriage by six years over the last half century. This of course has a trickle-down effect – deferring marriage also means deferring homeownership. The average first-time homebuyer is now 33 years old.

Since the oldest Millennial is now 31 years of age, every community bank generally has 18 months to ready themselves for the pending and sustained tsunami of Millennial demand. Is your financial institution ready? **BNE**