



More Than Traditional Checking Accounts

by [Steve Brown](#) Topics: [deposits](#), [funding](#), [millennials](#)

Summary: For those losing deposits to alternative accounts, it might make sense to think about revamping your traditional checking account with brand new features to lure depositors - particularly the younger crowd.

An AT Kearney survey of global business executives identifies some interesting opportunities this group sees as ways to improve and drive the business forward. Those ranked the highest were: successful adoption of new technologies (37%), successful innovation (35%), improving business model efficiency (35%), and improving strategy execution (34%). We know community bankers work hard every day to improve the business, so we hope this information helps with additional perspective.

As your team also works hard to keep deposits in a world of tricky but inevitable transformation, additional perspective might help here too. For those losing deposits to alternative accounts, it might make sense to think about revamping your traditional checking account with brand new features to lure depositors - particularly the younger crowd.

After all, this is projected to be the year [millennials overtake baby boomers](#) as the nation's largest living adult generation. This demographic are increasingly storing money in Venmo and Square Cash accounts. They want to easily reimburse friends when they eat out together, and money is generally a utility to them. In addition, more people of all ages are utilizing savings and robo-advisor apps like Acorns and Stash.

Financial institutions are feeling the impact of this "deposit displacement," [according to a Cornerstone survey](#) of bank and credit union officials. The result is that financial institutions of all types are actively seeking ways to better compete for these deposits, as they try to hold onto low-cost funds.

One good way could be to bundle features within checking accounts that bankers may not have thought of before - but are exactly what younger customers particularly may want.

In another survey, [Cornerstone polled consumers](#) about whether they would be interested in opening a checking account with Amazon, which is considering the launch of a fee-based account costing between \$5 and \$10 a month. For that fee, consumers would get benefits such as: cell phone damage protection, identity theft protection, and travel insurance.

While baby boomers and Gen Xers were not that impressed with this type of bundled checking account, 33% of "Young Millennials" (born between 1988 and 1996) and nearly 50% of "Old Millennials" (born between 1980 and 1987) said they would go for an account that had those features. Moreover, almost 25% of all millennials polled said they would close out their existing checking accounts to do so.

Other services the younger crowd told Cornerstone they would be interested in having as a "value-add" include personal/family data storage, child identity theft protection, and discounts on prescriptions, vision and hearing products.

The takeaway seems to be that customers may want bundled products for convenience and efficiency. Not only do they want them, but many seem to expect them, even for a fee.

It could be a good time to review your deposit programs and see where you may be able to try out some bundling options to help capture and retain customers. It can be as easy as adding a key benefit or it may be more involved like adding a new product entirely that is designed to compete with nonbanks. Whatever you decide, enjoy the ride as you keep fighting.

ECONOMY & RATES

Rates As Of: 05/02/2019 08:28AM (PDT)

Treasury	Yields	MTD Chg	YTD Chg
3M	2.41	0.00	0.06
6M	2.44	-0.01	-0.04
1Y	2.39	0.02	-0.20
2Y	2.34	0.07	-0.15
5Y	2.35	0.07	-0.16
10Y	2.55	0.05	-0.13
30Y	2.94	0.01	-0.07
FF Market	FF Target	Fed Disc	
2.45	2.50	3.00	
SOFR	Prime	Unemp	
2.54	5.50	3.80	

[More Market Rates](#)

BANK NEWS

Fed

Fed Chicago president Evans said he thinks the Fed should be willing to let inflation go over 2.0% to 2.5% "as long as there is no obvious upward momentum and the path back toward 2.0% can be well managed." He went on to note that if the economy continues to grow within its potential and inflation increases, further interest rate hikes may be warranted. Likewise, if the economy softens, then policy may be on hold or accommodations could be made, if appropriate.

More Fed

[Boston Fed President Rosengren](#) said the Fed should adopt an inflation target range based on the economic cycle. This would allow the Fed to respond more easily to dramatic conditions, such as an economic downturn. The Fed is conducting a review of its monetary policy framework this year, when officials will discuss how to better reinforce the inflation target. Meanwhile, [Fed Philadelphia President Harker stated](#) that the US has "a strong labor market, muted inflation, sustained moderate growth, and the penumbra of uncertainty." So, he is still in "wait and see mode" for now. But, he still believes that the Fed could hike rates twice in the next 2Ys, one this year and one in 2020.

Remote

According to the US Census, 5.2% of the US population or 8mm worked remotely in 2017.

DEPOSIT OPPORTUNITY YIELDING 2.55%

In an effort to expand our relationships, PCBB is pleased to offer community banks a money market deposit account rate of 2.55%, subject to availability. Contact operations@pcbb.com.

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