

BDIA



Overview

We understand that cash deposits are not nearly as valuable to your bank as they once used to be. The regulatory environment is forcing banks to change the way they categorize deposits. If not already, at some point soon your organization may be forced to change the way it does business in addition to asking clients to take their deposits elsewhere. Rather than dismiss deposits, help clients convert them to an off-balance sheet solution that keeps your organization in the driver's seat.

The following story illustrates how a sizeable bank turned its challenges into opportunities.



Cash Flow Analysis

The Problem

Faced with an abundance of non-operating deposits, a bank executive was looking for ways to pare back cash levels, without damaging client relationships. Having already lowered deposit interest rates, he considered whether the bank should charge its clients an annual fee to hold their cash. However, that didn't seem to be a long-term solution; if clients were willing to pay the fee, the bank would still face the predicament of deposit overflows. Additionally, the bank still wanted to be able to accommodate new clients.

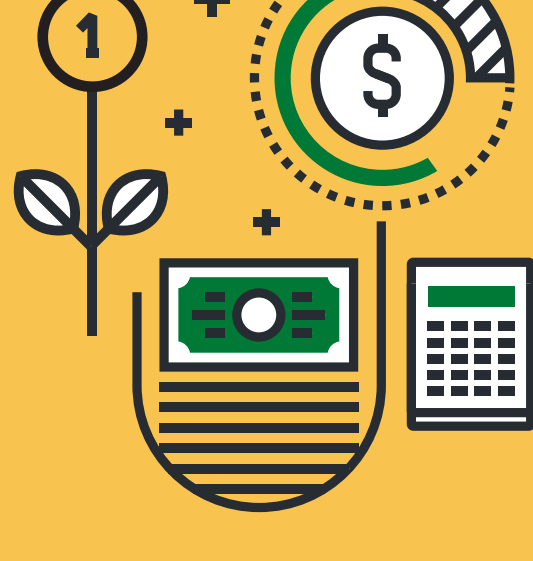
As he searched for a resolution, he recalled an introductory meeting with a highly respected cash flow consulting company who saw this type of dilemma coming. He decided to take them up on their offer to discuss solutions.

The Solution

As the bank executive outlined in detail the impact of the challenges he was facing, it became increasingly evident that it would take the collaborative effort of a group of specialists with differing expertise to get the bank's balance sheet where it needed to be while strengthening the bank's client relationships. The cash flow consultant suggested combining treasury services, cash flow analysis, investment management, and custody services.

The bank would continue to provide clients with treasury services, however, it could present clients with an alternative to a traditional cash deposit account – a Manning & Napier Bank Deposit Investment Account (BDIA) – that would provide clients with the potential to earn more income than what the bank could provide while removing the deposits from the bank's balance sheet. Furthermore, by moving client deposits into BDIA's, the bank could see a new source of revenue by serving as the custodian on each account, and by creating room for new clients.

Cash flow analysis would be key to helping each client transition to a BDIA because it would establish the difference between their operating dollars and long-term investable funds, providing them with reasons to be confident that their cash flows could be managed this way. Furthermore, it would confirm what treasury services best fit their needs, allowing them to further diversify their relationship with the bank by implementing new and more cost effective treasury services.



Implementation

The executive decided to share this approach with the bank's clients by connecting them with the cash flow experts and Manning & Napier.

Clients who completed the cash flow analysis, obtained customized cash flow strategies and maximized the flow and investment of cash through BDIA's with Manning & Napier.



Results

Outcomes improved for both the bank and its clients.

Not only are clients provided with the tools to uncover and fix cash management inefficiencies, they are also provided with the potential to earn enhanced returns through the BDIA.

The bank has seen an increase in the use of revenue-bearing services while downsizing its balance sheet. Additionally, the bank continues to serve as the relationship manager, and it has increased its value to clients by introducing value-added partners.

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Give Us a Call

If you are interested in optimizing your cash management strategy, please contact us at (800) 551-0224.