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How to Organize Wealth Management in a Financial Institution: A Debate Between Today's Wealth Leaders

Monday March 2, 3:15pm-4:00pm ET

How to Organize Wealth Management in a Financial Institution: A Debate Between Today's Wealth Leaders

Moderators: LeAnn Rummel, President & CEO, Cetera Investment Services

Tim Kehrer, Principal, Kehrer Group

Debaters: Miles Milton, EVP, Chief Wealth Management Officer, Hancock Whitney Bank

Bill Moor, President, Capital City Wealth, Capital City Bank

Why Benchmark Personal Wealth Management in Financial Institutions?

- After decades of losing wealth management market share to non-bank competitors, **financial institutions have begun to reassess how they deliver wealth management**, and try new approaches
- We have reached the stage of this development that it makes sense to **assess how these initiatives are working relative to the traditional approach** of wealth management silos with (sometimes contested) client segmentation
- There are **challenges in using benchmarking data from existing surveys** that benchmark either the investment services business or the Trust business, because these businesses often include activities that are not managing the wealth of people, e.g., Institutional Trust, Retirement Plan Administration, etc.



Research Methodology

Cetera commissioned Kehrer Group to launch a test survey last year to determine:

- whether firms would, and could, provide the detailed information needed to benchmark personal wealth management
- identify the best way to capture the information – structured or open-ended questionnaire, executive interview, etc., and
- fine tune the survey language to communicate successfully across a landscape of different business models and inconsistent definitions of roles

The core objectives of the initial survey were to:

- provide some useful initial benchmarks from a limited sample
- demonstrate a "proof of concept" to convince our community that this benchmarking study is feasible and worth supporting
- set the stage for a survey during 2026 with broad enough participation to be representative of the current state of personal wealth management in financial institutions



Over Two Dozen Firms Participated

Allegacy Federal Credit Union	First Horizon	Northern Trust
Atlantic Union Bank	First Bank NC	Mountain America Credit Union
Bank of Hawaii	First Merchants Bank	Regions Bank
Capital City Bank	First National Bank of Pennsylvania	Salem Five Bank
Centier Bank	First Premier	SunCoast Credit Union
Columbia Bank	FNB Financial/Fairfield NB	Teachers Credit Union
ESL Federal Credit Union	Hancock Whitney Bank	United Bank
Fidelity Bank	Key Bank	Wesbanco Securities, Inc
	Minster Bank	



Today's Session

Today we are going to look at how firms are resolving the key decisions they confront from the perspective of the enterprise's delivery of personal wealth management:

- For clients that qualify for either service, should they be served on the Brokerage platform or the Trust platform?
- What are the rules of engagement for the different wealth management advisors?
- How do bankers know who to refer to whom for what?
- Should personal wealth management include the credit side of the client's balance sheet?
- Should all non fiduciary assets be serviced on the brokerage platform?
- Where should wealth management be positioned in the enterprise structure?
- What is the role of insurance in wealth management?



Let the Debate Begin

We will look at these questions from two perspectives:

- **The vision of two wealth management heads**

- Hancock Whitney – a regional bank



- Capital City – a super community bank



- **The experience of the other institutions that participated in the survey**

Where are the enterprise's wealth management assets?

As financial institutions take an enterprise view of their delivery of personal wealth management, they are confronting whether some clients should be served on the Brokerage/RIA platform, or the Trust platform, impacting the balance of personal wealth assets on the two platforms.

Miles & Bill: What does the distribution of personal wealth assets look like in your bank? Do you think there is a “correct” balance?

Tim: How do institutions with different trust : brokerage ratios compare on the performance measures?



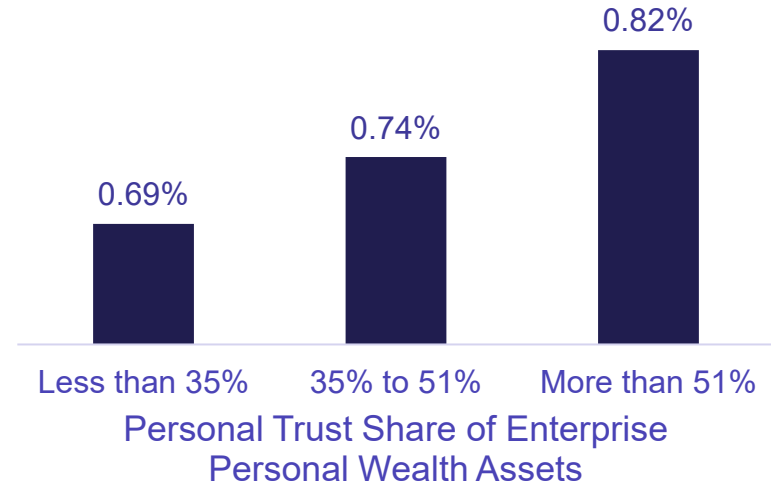
Trust-Heavy Enterprises Outperform Others

The productivity of assets increases with the share of personal wealth management assets on the trust platform

Similarly, when more client assets are on the trust platform

- Staff revenue and asset productivity is higher
- Effective staff compensation rate is lower and profit margins are wider
- And the institution captures more of its opportunity
- On the other hand, institutions with relatively more assets on the brokerage platform experience stronger revenue growth

Asset Productivity by Relative Size of Trust: Enterprise-Wide Revenue on Assets



Does the institution have rules of engagement for its wealth management advisors?

With separate advisor forces in Brokerage, Trust, and perhaps Private Banking, some institutions have created rules of engagement for which advisors serve which clients for which services.

Miles & Bill: Does your bank have rules of engagement for who serves which client? How is your current approach working?

Tim: Do these rules of engagement improve the delivery of wealth management services?



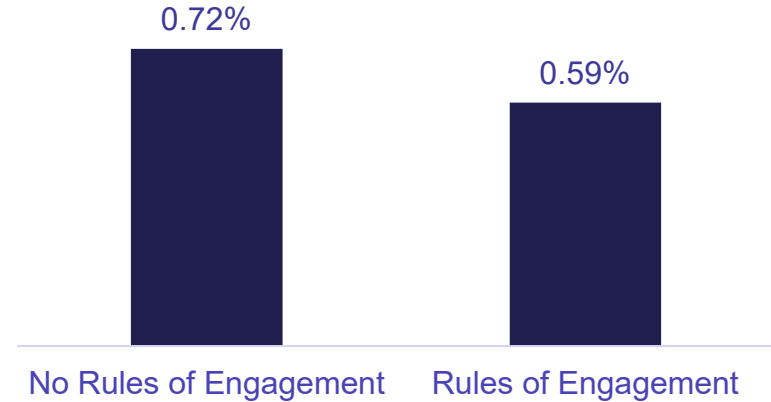
Enterprises with No Rules of Engagement Outperform Others

Institutions with no rules of engagement have

- Higher revenue on assets
- Much greater asset growth
- Better staff revenue productivity
- Lower staff compensation as a percent of revenue
- And the institution captures more of its opportunity

On the other hand, institutions with rules of engagement have wider profit margins

Asset Productivity by Whether There Are Rules of Engagement: *Enterprise-Wide Revenue on Assets*



Where do bankers refer customers for wealth management?

With multiple advisor forces, it is challenging for banking staff to know where to refer a customer for wealth management. Some firms segment prospects by their investable assets or similar characteristics. Others have clear directions, referring all wealth management prospects to a centralized triage center or a designated “quarterback.” Still other institutions leave it to the discretion of the referring banker.

Miles & Bill: How do you manage referrals in your bank? Do you think it’s the optimal approach?

Tim: Does how an institution manages bank referrals impact the performance of wealth management?



Enterprises That Segment Referrals Have Inferior Performance

Institutions that direct referrals to different advisors based on segmentation of the customers have lower ROA, and score lower on all of our performance measures

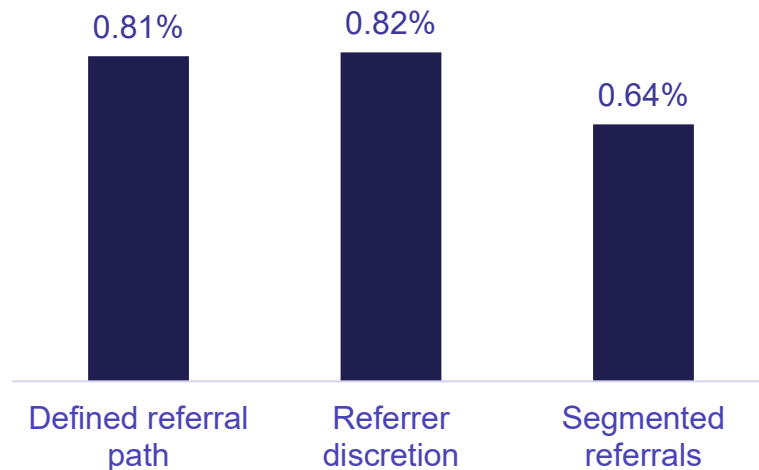
Institutions with other defined referral destinations have

- Higher revenue and asset growth
- Best deposit revenue penetration

But institutions that rely on the banker's discretion have

- Better staff revenue and asset productivity
- Lower effective staff compensation rates and wider profit margins
- And the wealth management business is a larger component of the overall banking enterprise

Asset Productivity by Referral Management: *Enterprise-Wide Revenue on Assets*



Does one or more of the wealth management units earn spread income or deposit credits?

Some institutions integrate lending and deposit activity into their delivery of wealth management, often in the form of a Private Banking unit.

**Miles & Bill: Does your bank include private banking in wealth management?
Do lending and deposit services belong in wealth management?**

Tim: How does including the credit side of a client's balance sheet impact the performance of enterprise-wide personal wealth management?

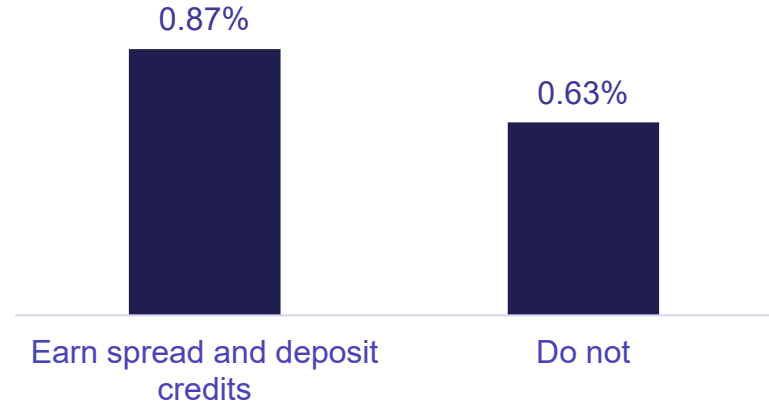


Enterprises that Include Private Banking Outperform Others

Institutions whose wealth management units earn spread income credits or deposit credits for the loans and deposits they acquire and manage have much higher ROA on wealth management assets, and outperform other institutions in

- Asset growth
- Staff revenue productivity
- Controlling staffing expenses
- Profit margin
- Staff revenue and asset productivity
- Revenue penetration of deposits
- Size of the wealth management business relative to the size of the institution

Asset Productivity by Role of Spread Income and Deposit Credits: *Enterprise-Wide Revenue on Assets*



How much of the Trust assets are in agency accounts as opposed to fiduciary accounts?

As institutions have begun to integrate their Brokerage and Trust operations, a first step is often to move some agency accounts off the Trust platform to the Brokerage/RIA platform.

Miles & Bill: How much of the assets on your trust platform are in agency accounts? Have you moved any of those accounts to the brokerage platform?

Tim: Does the balance of agency versus fiduciary business in the trust platform impact enterprise wealth management performance?



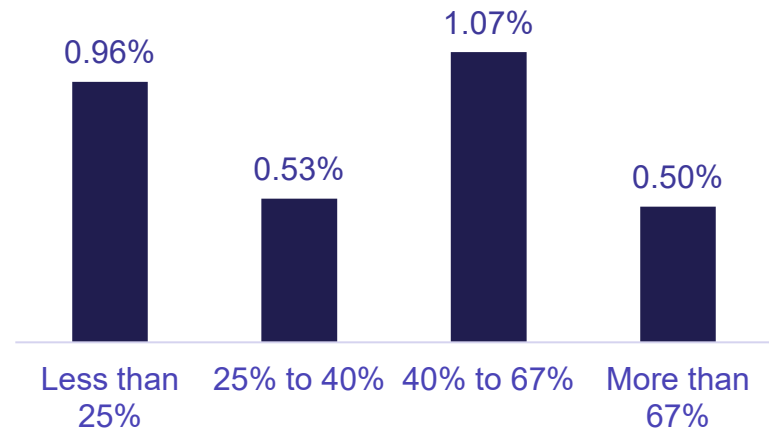
Makeup of Trust Assets Has No Impact on Enterprise Performance

There is no apparent pattern between the share of Trust assets in agency accounts and the productivity of the assets, nor in the other measures of wealth management performance, although institutions with a high proportion of agency accounts have

- Higher asset growth
- Lower staff expenses
- And have larger wealth management businesses relative to the size of the bank

Some participating institutions did not provide the breakdown of Trust assets, resulting in a thinner sample for this analysis

Asset Productivity by the Share of Agency Accounts in Trust Assets: *Enterprise-Wide Revenue on Assets*



Does wealth management have a seat at the table?

Wealth management has a different stature across financial institutions. In some, the head of wealth management is part of the C-Suite, reporting to the CEO or the COO, along with the heads of the consumer bank, the commercial bank, mortgage, etc. In others, the top wealth director reports to an executive below that C-Suite level, or even further down the organization's structure. Does having a seat at the table impact the performance of wealth management?

Miles & Bill: Where does wealth management fit into the management structure of your bank? Has your position in the bank impacted your ability to advocate for wealth management?

Tim: Does wealth management's position in the org chart impact its performance?



Wealth Management's Position Relative to the C-Suite Does Not Impact Enterprise Performance

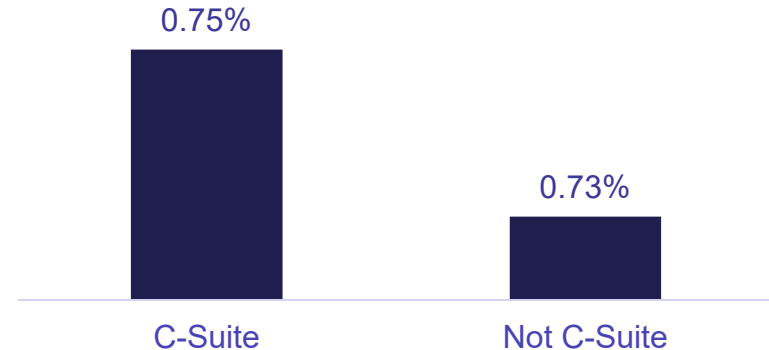
There is little difference in the ROA among firms based on the level of wealth management in the org chart.

Firms where the wealth director is not part of the institution's executive management team have higher revenue growth

But where the wealth director is in the C-Suite, wealth management has

- Better staff revenue productivity
- Lower staffing expenses and wider profit margins
- Deeper revenue penetration of deposits
- And is larger relative to the size of the institution, reflecting the chicken-or-egg aspect of this measure

Asset Productivity by
Position of Wealth
Management Executive in
Institution:
*Enterprise-Wide Revenue
on Assets*



What is the role of insurance in the institution's wealth management strategy?

Some institutions treat insurance as one of the products offered by the retail advisor or wealth advisor. Other institutions elevate insurance to a wealth management business line, addressing the risk management needs of their wealth management clients.

Miles & Bill: How does your bank deliver insurance and protection services to its wealth management clients? How would you grade your bank's approach?

Tim: Does the role of insurance make a difference to the performance of the enterprise's wealth management?



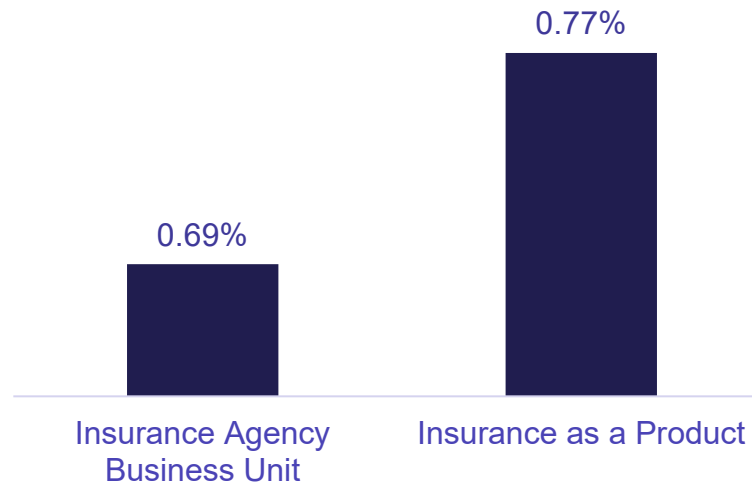
Enterprises With Elevated Insurance Agencies Outperform Other in Most Measures

Institutions that structure insurance as a business line in wealth management do not have better asset productivity, because insurance does not acquire or enhance assets,

But they do have

- Higher revenue growth rates
- Deeper revenue penetration of deposits
- And their wealth management business is larger relative to the size of the bank than institutions without a wealth management insurance agency

Asset Productivity by Role of Insurance: *Enterprise-Wide Revenue on Assets*



Thank You and Stay In Touch

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