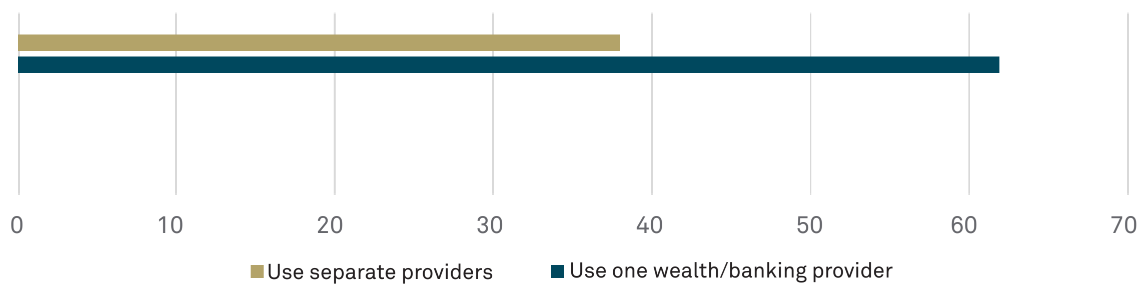
The Benefits of Banking and Investing at the Same Firm

Some things go well together— like steak and red wine. Doing your banking and investing under one roof can also go together. In fact, six-in-ten high net worth (HNW) individuals use the same firm for wealth management and private banking, according to a recent BNY Mellon study.*

This makes good sense; the personal and active role of the private banker as part of the wealth management team allows for a broad, holistic approach to managing both sides of your balance sheet. It enables the strategy team to look across a portfolio and see efficiencies that might be missed if traditional banking services – like checking accounts and loans —were handled at a separate firm from investment services – like asset allocation and estate planning.

HNW Investors Prefer Doing Business with One Firm



Source: BNY Mellon Wealth Management Ultra High Net Worth Private Banking Study, February 2021. The study included 300 participants with a minimum of $5 million of assets under management.

Identical inputs, different outcomes

Let's take a look at two hypothetical couples that have the same amount of assets, are at the same life stage and face the same challenges. The difference is that one couple does banking and investing together at the same institution, while the other couple uses two distinct firms. The results offer a real-life example of the banking/investing synergy.

Separate firms: Amy and Andy

Amy and Andy believed in not putting all their eggs in one basket. They used a local wealth manager to invest their $10 million in assets, while doing their banking at a nearby bank branch where they kept $500,000 between checking and savings accounts. Their $750,000 mortgage was with another service provider because it had been transferred multiple times. With five years remaining on a 20-year note, they had amassed 70% equity in their home

With two grown children and college and wedding expenses behind them, Amy and Andy were excited about heading into retirement. They set their sights on a second home to spend time relaxing with family. Amy and Andy found a piece of lake-front property where they could build their own place just two hours outside the city. They called their wealth manager to withdraw the $400,000 needed to purchase the land outright. Amy and Andy also contacted their local bank branch to secure construction financing of $500,000.

Amy and Andy were thrilled with their impending new home plans. But could they have done better if they did their banking and investing at a single firm?

One firm: Zelda and Zach

Zelda and Zach do all their banking and investing at BNY Mellon Wealth Management. They value the advice and personal service offered by their strategy team. Financially, they are identical to Amy and Andy: $10 million in invested assets, $500,000 in checking and savings accounts, a $750,000 mortgage on their home with 70% equity and five years left to pay off their 20-year note.

As empty nesters, Zelda and Zach looked forward to an active retirement, and found beach-front property to build their vacation home. The land would cost $400,000, and construction costs would be $500,000. To work through the financing of the purchase, they made just one call: to their BNY Mellon wealth manager.

Hearing the great news about Zelda and Zach's vacation home plans, their wealth manager worked with the team's private banker and mortgage banker to develop a comprehensive plan. After collectively evaluating the couple's banking and investing portfolio, the team suggested Zach and Zelda stay fully invested to avoid disruption to their long-term wealth goals. Instead of selling their investments, they recommended the use of leverage in the form of an Investment Credit Line (ICL) to purchase the land. They also suggested refinancing their existing mortgage at a lower interest rate, with cash-out construction financing for building the home. The team also set up Zelda and Zach's checking account for auto-debit of loan payments, plus online/mobile banking to pay bills and transfer funds for construction expenses.

	Amy and Andy **Separate banking/investing firms**	**Zelda and Zach** **BNY Mellon Wealth Management**
Assets	*$10 million in invested assets* *$500,000 in checking and savings accounts*	
Liabilities	*$750,000 mortgage on their home with 70% equity and five years left on a 20-year note.*	
Goal	*Efficiently finance a vacation home*	
Needs	*$400,000 to purchase land* *$500,000 for construction costs*	
Actions	• Withdraw $400,000 from investments • Secure a $500,000 loan	• Leave invested assets untouched • $400,000 Investment Credit Line (ICL) • Refinance existing mortgage at a lower rate, with $500,000 cash-out • Checking account set up for auto-debit of loan payments • Online/mobile banking set up to pay bills and transfer funds

The Active Wealth Advantage

Zelda and Zach received a more nuanced, customized plan because they used one provider. Their wealth team uses a comprehensive framework called Active Wealth, that includes five essential practices: investing, borrowing, spending, managing taxes and costs, and protecting a legacy. The team analyzed assets and liabilities, resulting in financing solutions tailored to generate liquidity without disrupting their wealth management strategy. Before long, Zelda and Zach will be lounging at their beach house, enjoying a steak and a glass of red wine.

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EQUAL HOUSING LENDER

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