

## For Immediate Release:

### Bank-Owned Broker Dealers Grow Revenue, Widen Profit Margin

*Advisors Improve Productivity, Asset Acquisition, But Challenges Loom for the Bank BDs*

**CHAPEL HILL, NC, JULY 11, 2022:** For the broker dealers owned by financial institutions, the story of 2021 might best be characterized as, “it depends on who you ask.” From the standpoint of the parent bank, the broker dealer grew revenue by double-digits with little investment from the bank, widening profit margin for the business line and pushing substantially more profit to the bank’s bottom line. But for the broker dealer and the executive charged with managing it, 2021 was yet another year of shrinking financial advisor headcount, thinning coverage of bank deposits, and an ever-steepening hill to climb to capture the opportunity among the bank’s customers.

Those are among the key findings of the 2021-2022 Bank Broker Dealer Study from Kehrer Bielan Research & Consulting. Gross revenue from investment services increased nearly 15% in the typical bank BD, roaring back after largely treading water during the pandemic year of 2020. Profit margin in the typical bank BD improved six basis points to 22%. The widening margin caused profit penetration of deposits to jump 67% in the average bank BD to \$247 per million dollars in core deposits.

“Focusing on margin and profit penetration glosses over the fact that the bank BDs lost substantial ground against key priorities during 2021,” commented Tim Kehrer, author of the Bank Broker Dealer Study.

Advisor headcount in the bank BDs declined for the fifth consecutive year in 2021. The average bank BD now deploys one advisor for every \$803 million in core deposits, 27% thinner coverage of deposits than the previous year. Kehrer Bielan research has demonstrated that bank BDs optimize revenue penetration with less than \$200 million core deposits per advisor, suggesting that the typical bank BD now needs to double and redouble the number of advisors to achieve optimal coverage.

“Banks with affiliate BDs are leaving enormous opportunity on the table by letting the need to make net additions to the advisor force go unaddressed,” added Kehrer.

Meanwhile, the advisors affiliated with the bank BDs continue to up their games. Advisors in the average bank BD improved revenue production by 15%, and brought in 12% more new assets than they did the year before. Average new assets per advisor in the bank BDs now stands at \$10.5 million per year—the first time average asset accumulation has crested \$10 million in the history of the Kehrer Bielan Bank BD Study.

“Of course, improving advisor performance cuts both ways,” commented Kehrer. “The additional revenue production and client assets brought into the firm are good for the business. On the other hand, the wire houses appear to have discovered that the bank BDs are promising hunting grounds for advisor recruitment. The findings of this study suggest that pressure from outside recruiters will continue to increase on the bank BDs’ top advisors.”

The Kehrer Bielan Bank Broker Dealer Study has been conducted annually since 2014. The 2021-2022 Study encompasses 22 bank-owned broker dealers. A complete list of participants and more information can be found [here](#).

**About Kehrer Bielan Research & Consulting.** KBR&C provides the financial advice industry with insights based on a melding of research and experience in managing the delivery of investment, insurance, and wealth management services. The firm provides performance assessment and benchmarking, human resource management and development, due diligence, consumer insights, and interpretation of industry trends through its original research, unbiased consulting, and peer study groups.

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