

Relationships that Work OR Making Relationships Work: When is it time to switch financial institutions?



Financial institutions are not all created equal and neither are their members. As a member of the team at PenFinancial Credit Union, I get to see how unique our members and their needs are and how we can help them everyday. That may sound a little trite, but it is true. I originally wanted to open my first Truly Local Advice blog with a fun quote about banking. After googling “banking quotes”, I learned that my industry isn’t very popular... at all. So I shelved that idea and went with sincerity over humour for my opening. Beyond that, I felt compelled to do some charity work after reading how cunning and unscrupulous my industry can be.

My research into banking reminded me of how fortunate I am to work in the vibrant credit union industry in the Niagara Region. [We don't suffer from many of the shortcomings of big bank culture](#). Instead:

- We offer products and services that individuals and businesses need at a fair price. We don't push products that people don't need.
- We offer full disclosure with respect to our pricing and go a step beyond to educate our members and our communities.
- We are guided by our members – as a cooperative, we are guided by our members and give each of them an equal say in the institution that manages their finances.

- We improve lives by reinvesting member deposits to provide loans and mortgages to friends, neighbours and local businesses and invest in communities by providing financial literacy workshops to a variety of schools and organizations. The credit union also donates skates to schools through our Skates for Kids Program and we invest in sponsorships and donations that support local not for profit organizations.
- We believe that local residents can benefit from banking with us and we can benefit from our relationships with them.

After reassuring myself that I am part of a solution, it lead me to wonder how I could help others benefit from this solution too. This brought me to the theme of my first blog: switching financial institutions. As a commercial banker I decided to focus on this topic from a business owner's perspective, but many of the concepts apply to individuals as well.



I have the privilege of dealing with and learning about businesses of all shapes and sizes-- small to large businesses, donut shops to construction companies, and every variety in between. Over the years, I've noticed that many businesses maintain their current banking relationship because the alternative of switching banks is deemed to be too much work. In other words, businesses are at their current financial institution *by default*. In some cases this default situation is okay. For instance, its fine if your business only needs a few things from your financial institution and those needs are met without much variance in costs from one institution to another. Although sticking it out with a bank may work for some businesses, in many cases, your business could be doing itself a disservice.

Your financial institution can offer you a lot of benefits – both direct and indirect. As a business owner or an individual, you should take full advantage of these benefits. How do you know when to reassess your banking choices? Here is a list of factors you should consider when choosing your financial institution:

1. Valuable relationships.

Do you have a good relationship with your commercial banker? Are they responsive? Do they have expertise in your industry? You and your banker should have a beneficial relationship. Although you may develop a solid relationship, you should also prepare for the eventuality of your banker moving on. High turn-over is often a reality in commercial banking. I recommend meeting with multiple employees, including the regional manager or vice president, so you have others you can contact if your banker is promoted or transferred. Meeting with other employees will also give you an indication of the institution's culture and help you assess whether it aligns with your own needs and values.

2. Ability to accommodate your business in the future.

Are your sales below \$1 million today but you envision sales of \$15 million in the future? Will your current financial intuition be able to support you in your growth? It is better to be proactive and choose a bank on your own terms, rather than being forced to accept terms to meet only your business's current needs.

3. Fair prices.

Do you know what your financial products and services cost your business? Do you shop around every few years to assess the prices of other banks? You definitely should. I recommend trying to annualize your costs (transaction fees, maintenance fees, and interest) to be able to calculate the full impact of a switch on your bottom line. Obviously cost shouldn't be your only consideration. If you aren't able to access the services you need (i.e. loans, electronic services, etc.) then your cost savings will be fully offset by frustration and lost opportunities. Nonetheless, you should know what your annual cost of banking is and be satisfied that you are receiving good value for your money.

Although you may consider additional factors, this list gives you a good starting point for analyzing your banking needs as a business owner.

Speaking of needs, I needed to find a quote to sum up the idea of switching banks. I settled on this one from James Grant:

“Progress is cumulative in science and engineering, but cyclical in finance”.

It may not cast the best light on financial services when you first read it, but I gleaned a deeper

message. Commercial banking, at its core, hasn't changed much over history. It's about offering attractive loan and deposit services to great businesses. The medium will change (i.e. online, digital, etc.) but the need for sound lending principles supported by great relationships will not. Keep this in mind when selecting your financial institution. Your banking arrangements should be simple, cost effective, and provided by a competent, trust-worthy banker. If that is currently not the case, you may want to consider switching financial institutions. [Reach out](#) if you'd like to discuss this important topic further or to learn more about [how you can benefit from a positive relationship with your financial institution](#).