



Issues & Answers



February 2024

- In This Issue**
- Page 1** President's Message
 - Page 3** Advocacy Update
Events Calendar
 - Page 4** Planning for 2024 Annual Convention
 - Page 6** WBA Member News
Industry News
 - Page 10** Naming a Trust as an IRA Beneficiary
 - Page 11** Compliance's Effect on Acquisition Marketing Strategies
 - Page 12** Economic Headwinds and ALM

New Year, New Changes



*By Glen Simecek,
President & CEO,
Washington Bankers
Association*

Jack Welch, former CEO of GE, certainly would have to be included in any hall of fame celebrating the great business leaders of the last hundred years. His accomplishments in steering a highly successful conglomerate are well-known, as are many of his quotes about what he believed made great managers.

One of my favorite Welch quotes is, "Change before you have to."

The point is pretty simple: if market conditions have changed so much that your organization has no choice but to change, it may already be too late. But if you can identify and quickly react to emerging trends, you can stay ahead of the game.

Business history is littered with examples on both ends of that spectrum. Henry Ford

realized that better pay would attract better workers and that the assembly line would make production more efficient, and both factors helped expand the market for his product. On the other hand, Blockbuster failed to recognize the emerging popularity of streaming videos. Kodak failed to see that digital photography was the wave of the future, and both ended up in bankruptcy – one gone and one a shadow of its former self.

At WBA, we embrace that quote and change before we have to. Fortunately, the changes we are making are not life-and-death decisions for our organization, but they are significant in enhancing the value we provide our members.

The first, which I've talked about several times in this column, is our decision to continue mixing virtual and in-person professional development programs, depending on the needs of our audience for each. We know the in-person format provides

Continued on page 2



Issues & Answers – February 2024

The official publication of the Washington Bankers Association is sponsored by Vericast and WBA Professional Services.

WBA Staff

Glen Simecek, President & CEO
(206) 447-1700,
glen@wabankers.com

Duncan Taylor, SVP/Chief
Operating Officer
(206) 344-3492,
duncan@wabankers.com

Kyle Hayden, Controller
(206) 344-3476,
kyle@wabankers.com

Sherry Krainick, Director of
Education & Operations
(206) 447-1700,
sherry@wabankers.com

Megan Managan, Director of Public
Affairs
(206) 344-3472,
megan@wabankers.com

2022-2024 Board of Directors

Chair: Mark Mason, Chairman,
President & CEO, HomeStreet Bank

Immediate Past Chair/Joe
Kiley, President & CEO, First
Financial Northwest Bank

Secretary/Treasurer: Brent Beardall,
President & CEO, WaFd Bank

**ABA GR Committee
Representative:** Bryan McDonald,
President & COO, Heritage Bank

Education Committee Chair: Matt
Deines, President & CEO, First
Federal

WBA PROS Chair: Eric Pearson,
President & CEO, Community First
Bank

Directors

Jay Coleman, SVP & Regional
Credit Officer, KeyBank

Clayton DeHaan, Director, PNW
Region Executive, Bank of America

Jack Heath, President & COO,
Washington Trust Bank

Lisa Hefter, President & COO,
Peoples Bank

Susan Horton, Chairman, President
& CEO, Wheatland Bank

Jon Jones, CEO, Washington
Business Bank

Greg Oakes, President & CEO,
Cashmere Valley Bank

Kerri Schroeder, Managing Director,
PNW Region Chairwoman &
Region Manager, JPMorgan Chase

Don Stafford, Market Executive,
Wells Fargo

Laurie Stewart, President & CEO,
Sound Community Bank

Clint Stein, President & CEO,
Umpqua Bank

Dave Swartley, SVP/Managing
Director State Government
Relations, U.S. Bank

Continued from page 1

essential advantages for some events, like our Convention and major conferences. But we have also seen that attendance at some of our other conferences, seminars, and classes is better when they are offered virtually. So, we will continue to work with our Peer Work Groups (formerly Committees) to evaluate our offerings and adjust them to meet the demands of today's workplace.

Similarly, we are planning changes in how we engage our members in our advocacy efforts. For years, we have held a variety of fall luncheons with state lawmakers across the state. They have been a great way for legislators to meet local bankers, learn more about how we serve our customers and communities, and discuss priorities for the upcoming legislative session.

Lately, we have seen a trend in some markets, especially in the Puget Sound region, where it has become increasingly difficult to get a critical mass of legislators into the room simultaneously.

So, we have decided to make a change and discontinue those roundtable discussion sessions. Instead, we will work with WBA members to schedule and host lawmakers in their branches. Other industries, like auto dealers, use this format effectively, and we have seen it work well when we host in-district visits with our Congressional delegation.

The in-branch visit strategy will help us deepen our relationships with local lawmakers. First, it will give us more scheduling flexibility because we can arrange visits when each legislator is available rather than hoping a whole group is available on a given afternoon. Another advantage is that it will allow visiting lawmakers to see the diversity of our workforce and the wide range of services we provide to our customers. And finally, we will be able to spend more time with each legislator to understand their priorities better and help them understand ours.

In some markets, such as Spokane and the Tri-Cities, where our existing format has continued to draw good turnouts and has proven effective, we will continue holding luncheon roundtables. More information will be shared as we schedule events, but in the meantime, if you are interested in hosting one of these meetings at your headquarters or a branch, please let us know.

We are excited about the potential this change will provide, especially since we're making it before we have to!

Contact Us

Contact the Washington Bankers Association at 601 Union Street, Suite 1720, Seattle, WA 98101

Call us at (206) 447-1700 and visit us on the web at wabankers.com.

Connect With Us

Connect with the WBA online by following us on our social media accounts.

On the Cover

Fresh snow reflects off the water of Rainy Lake in North Cascades National Park, with subalpine forest lining the steep slopes and wafting clouds overhead.

Photo courtesy of USFS Breant Lawrence

Follow Us!



Facebook.com/
WaBankers



@WaBankers
@BankersCare



LinkedIn.com/
Washington-Bankers-
Association

Advocacy in Banking: Keys to Navigating Today's State Legislative Landscape



By Megan Managan, Director of Public Affairs, Washington Bankers Association

In the dynamic and increasingly complex banking world, advocacy remains a pivotal tool for financial institutions, especially in Washington. As regulations evolve and economic landscapes shift, it is

essential for banks not just to respond to changes but also to actively participate in shaping them.

Advocacy in banking involves more than just lobbying for favorable policies; it's about creating a dialogue between the financial sector and lawmakers. This dialogue is crucial for ensuring that legislation reflects the realities of modern banking, supports economic growth, and protects consumers.

Effective advocacy is rooted in building strong relationships with legislators, regulators, and other key stakeholders. These relationships enable bankers to provide valuable insights and data-driven arguments that can influence policy decisions.

Washington's 60-day Legislative Session started on January 8 and will continue until the beginning of March. Currently, policy committees are reviewing relevant legislation and making changes as necessary. WBA is actively participating by testifying on proposal legislation, sharing information with lawmakers, and soliciting banker feedback.

WBA Action Center is available online at <https://voter-voice.net/WABANKERS/home>, and we encourage you to register for alerts.

In the first two weeks of the session, though state revenue collections are outpacing projections, new and increased taxes are being proposed. These include HB 2276, which would increase the real estate excise tax on transactions over \$3 million, which is being pitched

as a "mansion tax" but would significantly impact an already struggling commercial real estate sector. We will closely monitor the business community's response to this proposal and engage if appropriate. So far, there has been little action on SB 5493, this year's version of the proposal to eliminate the B&O tax exemption for interest income on first mortgage loans. We will monitor this bill closely and coordinate opposition if it begins to move.

We are now seeing proposals in response to lawmakers' desire to address the uncertainties created by the rapid growth of artificial intelligence technology. SB 5838 would establish an AI task force to identify issues and develop state regulatory responses. As currently proposed, it would consist of 42 members, none of whom would represent the financial services industry. We have been told that this is because our industry is intended to be something other than a focus of the task force efforts, but we are talking with other stakeholders to determine what, if any, role we should try to play.

Another bill that could have unintended consequences is HB 1951, imposing additional requirements on an entity that uses algorithms in "consequential decisions." Our concern is that some analytic tools banks use could fall under an overly broad definition of artificial intelligence, even though we have been assured that this is not the intent of the bill sponsor. Additionally, we will be pointing out that most, if not all, of the requirements the bill would impose are already addressed by our compliance with various federal regulations, making an exemption like the one we have obtained in multiple data privacy bills appropriate.

As the session progresses, we expect a clearer picture of the most significant issues. At this point, WBA and the UFL have identified the following issues for tracking:

- Regulations related to gift cards

Continued on page 5

Events Calendar

February 7 – Bankers Day on the Hill

March 12 – Future Leaders Spokane Event

March 18-20 – ABA Washington Summit; D.C.

March 21 – Future Leaders Seattle Event

April 11 – Management Development Program

April 19 – CBA Annual Conference; Hawaii

April 24-25 – Virtual Engage Conference

April 26 – Purpose, Passion & a Plan Future Leaders Event

April 30 – Understanding Bank Performance

May 8-10 – IBA, OBA, WBA Agriculture Conference; Idaho

May 30 – PSBJ Women Who Lead Summit; Seattle

June 11-14 – ABA Compliance & Risk Conference; Seattle Convention Center

June 17-21 – DFI Next Generation Financial Leaders Workshop

June 26-28 – 2024 Annual Convention; Skamania Lodge

August 6-8 – KBA Fraud Academy

September 19-20 – Virtual Credit, Lending & Compliance Conference

To register or to learn more about any of the listed events, please visit www.wabankers.com/calendar.

Join Us for the 2024 Quad-State Annual Convention at Skamania Lodge in June!

It's that time of year again, and we couldn't be more excited to announce the much-anticipated 2024 Annual Convention, co-hosted by the Idaho, Nevada, and Oregon Bankers Association. This year's event promises to be a remarkable experience, and we have some exciting highlights to share with you.

Mark your calendars because on February 1, registration will officially open for the 2024 Annual Convention. Take advantage of your opportunity to be part of this premier banking event. Don't forget Washington bankers have a complimentary registration included in their membership dues.

We are honored to welcome Chris Nichols, the Chief Strategy Officer of SouthState Bank, as one of our featured speakers. With over 20 years of industry expertise, Nichols is at the forefront of technological innovation in banking. He will share invaluable insights on the transformative power of Artificial Intelligence (AI) in our industry. This session promises to be a game-changer in understanding and harnessing the potential of AI.

This year's convention theme, "Woodland Wonderland," sets the stage for an unforgettable experience. Nestled in the stunning natural beauty of Skamania Lodge, our gathering aims to unite banking professionals from Idaho, Nevada, Oregon, and Washington states. Expect captivating discussions, engaging networking opportunities, and a chance to explore the wonders of the Pacific Northwest.

We invite you to save the date and prepare for an incredible adventure into the future of banking. The rooming block is now available for booking online.

If you have any questions or require further information, please don't hesitate to contact us. Until then, mark your calendars and prepare for an event that will shape the future of banking.

This spring, the WBA is also hosting the 2024 Management Development Program beginning in April, followed by the 2024 Virtual Engage Conference on April 24-25. This event was designed for bankers in the retail, training, and human resources divisions of the bank and will feature Nichole Sherman, and Amelia Noel.

In early May, WBA will again join our partners at the Idaho and Oregon Bankers Associations for the Northwest Agriculture Conference in Idaho.

On May 30, the WBA sponsors the Puget Sound Business Journal's Women Who Lead Summit at the Seattle Convention Center. We invite you to join us for an afternoon of learning and networking with women throughout the region. For those who plan to attend, WBA will host a pre-summit luncheon at the Convention Center.

Learn more about this event and the rest of our Future Leaders Networking Series online at wabankers.com/leaders.



SAVE THE DATE!

Continued from page 3

- Home equity sharing agreements
- Plain language in contract agreements
- State bank
- Increasing penalties for anti-trust

For bankers, staying informed about these legislative developments is crucial. Participation in industry associations, attending legislative hearings, and engaging in policy discussions are effective ways to stay involved.

Throughout the Legislative Session, WBA sends out a weekly update on Wednesday mornings covering the legislative happenings of the past week and following specific bills of importance to the industry. If you want this newsletter, please email Megan at megan@wabankers.com.

On February 7, we will host our annual Bankers Day

on the Hill. This a phenomenal opportunity to learn about issues we are working on and share your feedback with lawmakers in real-time.

The event includes a lunch briefing with the WBA Advocacy team, followed by pre-arranged meetings with lawmakers. Even if you've never been to Olympia before, we make it easy to participate and provide materials, including talking points. Lawmakers love meeting with constituents and appreciate hearing your input on legislation.

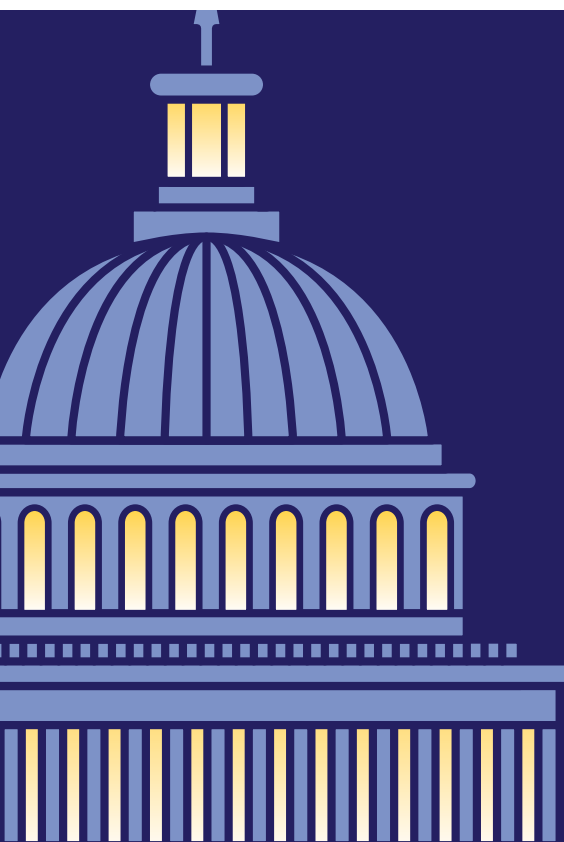
In an era where banking is as much about policy as it is about finance, advocacy is not just beneficial—it's essential. By engaging in advocacy, banks in Washington State can ensure that their voices are heard and that the future of banking is shaped in a way that benefits everyone involved.



2024 BANKERS DAY ON THE HILL

February 7 • AWB Offices

Register online: <https://voterveice.net/WABANKERS/home>



WASHINGTON SUMMIT

March 18 – 20, 2024

Marriott Marquis, Washington, DC

With the flood of regulatory changes facing banks in 2024, make sure your voice is heard by policymakers in Washington.

Join us in person at the ABA Washington Summit to advocate for the industry, prepare your bank for what's ahead and unite with fellow bankers.

Registration is free for all bankers — Don't miss your chance to connect!



Washington Trust Bank Volunteer Pack Food for Local Students

Shortly before the holidays, the Washington Trust Bank Crew in Blue members helped pack food for students over the holiday break.

The team worked at Mountainside Middle School in Colbert, putting together packs of nutritious food for children throughout the holidays to ensure none went hungry.

“While many of us are sitting down to feasts with friends and family, it’s important to remember that not everyone gets to experience a full table this season. At Washington Trust Bank, we believe that children should not have to go hungry, especially during the holidays,” said the bank online.



1st Security Bank of Washington Raises \$21,500 During Holiday Food Drive

During the holidays, 1st Security Bank of Washington hosted its annual Holiday Food Drive to help local organizations in need.

The bank raised \$21,500 in cash and food donations, providing much-needed contributions to food banks throughout the bank’s footprint.

Liberty Bank Supports YWCA of Kitsap County

During the holiday season, Liberty Bank’s team adopted a family through the YWCA of Kitsap County.

Working together, the group fulfilled all of the items on the family’s needs and wants list for a mother and five children.

These items included a bed, headboard, new linen, and other



children’s items.

“The generosity of our staff fills my heart,” said Rhonda Morris, SVP and chief risk officer.



First Financial Northwest Bank Donates to Vision House in Renton

At the end of 2023, the First Financial Northwest Bank residential lending team collected food donations for Vision House in honor of the holidays.

The Renton-based nonprofit provides transitional housing and support services to homeless men, women, and children.



Mountain Pacific Bank Branch Supports Forgotten Children’s Fund

The Mountain Pacific Bank Burlington branch team supported the Forgotten Children’s Fund during the holiday season.

The bank solicited donated toys and other gifts for local children and needed and then helped distribute the items to needy families.

Kitsap Bank Announces Upcoming Donations

At the end of 2023, Kitsap Bank announced that the following year, the bank would be providing over \$440,000 in financial support to over 100 area non-profit organizations.

The bank’s Community Connections program provides support throughout the community, focused on those invested in environment and sustainability, arts and culture, addressing homelessness and food insecurity, and economic and business development.

The bank has invested over \$2.3 million in the last five years.

Continued from page 6



Cashmere Valley Bank Branches Donate to Local Organizations

Employees can donate \$1 to wear jeans to work every Friday at Cashmere Valley Bank. Throughout the year, that money at the branch is pooled and contributed to a local non-profit of the employee's choice.

This winter, the Ellensburg branch donated to the Gretchen Weller Foundation. The organization provides comfort and stress relief to families in Kittitas County living with cancer.

The Lake Chelan branch donated to Manager Mall, an organization in the city that works with the local chamber to provide gift certificates to children up to age 18 during the holiday season.

Washington Trust Bank Supports Community Cancer Fund Event

Washington Trust Bank contributed 27 volunteers, who helped set up the Spokane Arena for the annual Communi-



ty Cancer Fund's CCF Classic in December.

The volunteers placed 12,000 rally towels on seats throughout the area so that every fan at the game could show their support for the cause.

The event is one of the largest fundraisers for CCF of the year.

First Financial Northwest Bank Acquired by Global Credit Union

In early January, it was announced that First Financial Northwest Bank, headquartered in Renton, was acquired by Global Credit Union, headquartered in Anchorage, Alaska.

The all-cash transaction was for \$231.2 million and was approved by both bank boards of directors.

This will expand Global's services to enhance its branch network in Western Washington, which began operating 40 years ago.

"We are enthusiastic about combining two financial-sound institutions that share a strong commitment to

Continued on page 8

Industry News

New Hires

Robert Harvie
Senior Vice President and Team Leader at Washington Trust Bank

Diane Kelleher
Senior Director of Accounting and Finance at First Fed Bank

Tracy St. Onge
Manager Support Operations at Washington Trust Bank

Kamylle Sprenger
Yelm Customer Service Representative at Olympia Federal Savings

Emily Gutierrez
Tumwater Customer Service Representative at Olympia Federal Savings

Ray Tate
Hawks Prairie Customer Service Representative at Olympia Federal Savings

Alexis McNeil
Tumwater Customer Service Representative at Olympia Federal Savings

Ethen Vincent
Downtown Customer Service Representative at Olympia Federal Savings

Eben Zekarias
Downtown Universal Banker at Olympia Federal Savings

Nicole Estrada
Westside Customer Service Representative at Olympia Federal Savings

George Schuricht
Customer Care Center Associate at Olympia Federal Savings

Alanna Jacob
Assistant Vice President and Senior Program Manager at Baker Boyer Bank

Asha Breitenfeldt
Assistant Vice President and Trust Advisor at Baker Boyer Bank

Steve Miller
Assistant Vice President and Business Analyst at Baker Boyer Bank

Ashley Mahan
Assistant Vice President and Family Advisor at Baker Boyer Bank

Ivan Castaneda
Assistant Vice President and Business Advisor at Baker Boyer Bank

Luis Alvarez
Assistant Vice President and Consumer Lending Manager at Baker Boyer Bank

Seana Queen
Assistant Vice President and Consumer & Real Estate Underwriting Manager at Baker Boyer Bank

Toni Anguiano
Assistant Vice President and Financial Planner at Boyer Boyer Bank

Stuart Gillin
Assistant Vice President and Family/Investment Advisor at Baker Boyer Bank

Alexis Blackmore
Assistant Vice President and Senior Cash Management Specialist

Victoria Weeks
Assistant Vice President and Executive Assistant/Events Coordinator at Baker Boyer Bank

Caleb Flippo
Assistant Vice President and Trust Advisor at Baker Boyer Bank

Promotions

Craig Hamada
Vice President and Director of Operations Personnel for Wealth Management at Baker Boyer Bank

Lora Linn
Vice President and Assistant Director of Retail at Baker Boyer Bank

TJ Middlesworth
Vice President and Director of Operations Technology for Wealth Management at Baker Boyer Bank

Have Industry News to share with WBA? Email megan@wabankers.com or call (206) 344-3472.

Continued from page 7

service and community engagement,” said Geoff Lundfelt, President and CEO of Global Federal Credit Union. “This combination will continue to enhance service delivery and growth in a market that the credit union has been operating in for over four decades, adding numerous branches. First Financial Northwest Bank’s branch network has a technology-forward design, accelerating the transformation to an environment with a structure and atmosphere more suited to conducting business in the future.”

Joseph W. Kiley III, President and CEO of First Financial Northwest Bank, added, “First Financial Northwest Bank has earned the trust of its customers and the communities it serves for over a century by holding true to its values of building long-term banking relationships, offering high-quality banking products and services, providing exceptional customer service, and demonstrating a strong commitment to the community. In today’s competitive environment, we believe this strategic transaction provides numerous benefits for our customers, communities, and employees. In addition, this transaction delivers substantial value to our shareholders who have supported us over the years.”

The transaction is expected to be completed in the fourth quarter of 2024, subject to all regulatory approvals.



Commencement Bank Manager Participates in Relay for Life

In early 2024, Commencement Bank Tacoma Branch Manager Sandy Snider participated in a Relay for Life event.

The newly formed Commencement Bank team included Snider taking their “first lap” of the year, celebrating and renewing their commitment to fight against cancer.

2024 marks the 40th anniversary of Relay for Life and Snider’s 25th year of participation. In January, she was joined by her granddaughter.

HomeStreet Bank Acquired by FirstSun Capital Bancorp

In mid-January, it was announced that HomeStreet Bank was being acquired by FirstSun Capital Bancorp, the bank holding company of Sunflower Bank.

Under the agreement, which both boards have approved of directors, HomeStreet will continue to operate under its current name.

Once finalized, the combined bank will be \$17 billion in assets, with 129 branches throughout the United States, ranging from Hawaii and the West Coast to the Southwest.

Mollie Hale Carter, executive chairman of FirstSun, and Neal Arnold, CEO, President, and Director of FirstSun,

will retain their current roles. Mark Mason, President and CEO of HomeStreet, will serve as executive vice chairman



following the merger.

North Cascades Bank Celebrates Winter Fest with Ice Sculpture

In honor of MLK Weekend’s Winterfest in Chelan, the local North Cascades Bank team built an ice sculpture bench.

The festival attendees were encouraged to stop by, sit down, and take pictures while viewing the many sculptures around town.



HomeStreet Bank Donates to New Phoebe House Association

The Gig Harbor branch of HomeStreet Bank recently donated \$1,500 to the New Phoebe House Association after hosting a polar plunge fundraiser.

The organization helps mothers stop cycles of addiction, homelessness, and family violence.

First Fed Banker Earns Realtor Award

First Fed banker Tiffany Bergsma-Evans was recently honored by the Whatcom County Association of Realtors.

They named her Affiliate of the Year for her work providing excellent mortgage services to clients during the home-buying process.

WBA Board Members Named to Seattle Board of Federal Reserve Bank of San Francisco

Two members of the WBA board were recently appoint-

Continued on page 9

Continued from page 8

ed as directors on the Seattle Branch Board of the Federal Reserve Bank of San Francisco.

Community First Bank's CEO, Eric Pearson and Sound Community Bank President & CEO Laurie Stewart were both named to the board.

In the position, they will provide local insights into the economy and recommend upcoming policies.

"I am excited to join the Board of Directors for the Seattle Branch of the Federal Reserve Bank of San Francisco and for the opportunity to learn more about the issues facing our regional and national economy and to serve as a voice for our local community," Pearson said. "In this role, I will be able to offer input and recommendations for Fed policies in the future. The Tri-Cities region has not had such representation in the past, and I look forward to sharing our story with this regional group and sharing knowledge gained from this endeavor with our local community."

Pearson is the only member of this board to represent the Tri-Cities, while Stewart represents from the Seattle area. The district covers the entire West Coast and is the most extensive Federal Reserve District in the U.S., serving 249 financial institutions.



Bank of America Professional Group Volunteers on MLK Day

The Bank of America Seattle Black Professionals Group spent part of Martin Luther King Day working with City Year to paint murals and help beautify Denny International Middle School.

The group also met with students from the Foundation for International Understanding Through Students and other local organizations.

If you have bank news to share, please email it to Megan Managan at megan@wabankers.com.

Your time is valuable.

You deserve an audit firm that provides your team with timely reviews and final reports within 45 days.



Holding Company of Compliance Alliance and Review Alliance



DISCOVER B/A

Learn how budgeting for top-tier support and guidance can save your program money.

That's Bankers Alliance.

info@bankersalliance.org or (833) 683-0701.

Naming a Trust as an IRA Beneficiary



By Mike Rahn, CISP, Acensus

We have a client who is reviewing his IRA beneficiary elections. He is thinking about making his trust—which will hold his other financial assets after his death—the beneficiary of his IRA. What are some of the things he should think about before he does that?

Naming a trust your IRA beneficiary is much less common than naming one or more persons, but it is not altogether rare. Unlike a will—which essentially only identifies who will receive a decedent's assets—a trust can set conditions or limitations for receiving the assets and identifies one or more trustees to ensure that the decedent's wishes expressed in the trust are carried out.

But naming a trust as IRA beneficiary can also complicate the otherwise straightforward process of conveying one's IRA assets to others after death. Here are some things that your client should consider.

Control of Assets After Death

For some, a very legitimate reason for naming their trust as an IRA beneficiary is to control access to the assets after their death. By setting access conditions in the trust document, and naming a trustee to administer them, the decedent can control when the IRA assets become available and in what amount. This could be desirable in certain situations (if the recipients are young, if they are not considered sufficiently responsible, have special needs, etc.)

However, if controlling beneficiary access to the IRA after one's death is not a consideration, then interposing a trust between the assets and the recipient(s) may create unnecessary—even unwanted—complications.

Spouse Limitations

A spouse may suffer the worst consequences when inheriting IRA assets through a trust. Under current Treasury regulations there is no clear path for a spouse who acquires IRA assets from his deceased partner through a trust to treat those assets as his own, something that is routinely done when the inheriting spouse is a direct IRA beneficiary. As a result, the surviving spouse may be forced to receive the IRA assets—and potentially be taxed, if not a Roth IRA—in an accelerated manner. The IRS may, by private letter ruling (PLR), grant a trust beneficiary spouse the privilege of treating inherited IRA assets as her own. But that is not assured, and the PLR will not only be expensive—as much as \$10,000—but could also take months to receive.

Five-Year vs. Ten-Year Payout

Under current Treasury regulations, if the IRA beneficiary is a non-person—such as an estate, charity, or a nonqualified trust—the IRA assets may have to be fully distributed within five years if the IRA owner dies before

RMDs begin, or if it is a Roth IRA. The trustee(s) will then pass the assets on to the trust's beneficiaries, for whatever potential tax consequences there may be.

This is in contrast to a 10-year distribution period for many directly-named nonspouse IRA beneficiaries, a lifetime payout period for spouses and a limited number of nonspouse beneficiaries, or the treat-as-own option for a directly-named spouse beneficiary.

10-Year Payout Based on Oldest Trust Beneficiary

An exception to the five-year period is made for certain “see-through” trusts, which are eligible for the 10-year beneficiary distribution period. If eligible—and if annual payments are required—the minimum amount required for the trust and its beneficiaries to receive annually will be based on the age of the oldest trust beneficiary. For younger beneficiaries of the trust, this will be more rapid than would have been the case if they had been directly-named IRA beneficiaries. And of course, if a spouse had been one of several directly-named IRA beneficiaries, she would have had the option to distribute her share and roll it to her own IRA. Not so if inherited through a trust.

Difficulty Changing Beneficiary Status

The life of trusts can vary considerably. Some are lengthy, including those intended to provide financial resources to trust beneficiaries over a long period of time, as well as trusts with provisions for “remainder” beneficiaries if an initial trust beneficiary does not deplete all assets. On the other hand, some trusts have a shorter lifespan, potentially shorter than the five or 10 years that Treasury regulations allow for IRAs to distribute their assets to beneficiaries.

Sometimes, including situations like these, trust beneficiaries will approach the IRS and ask for the right—through a PLR—to be treated as de facto beneficiaries of the IRA. The IRS may grant this, depending on circumstances, including review of the terms of the trust instrument itself. As noted above, however, this can be a lengthy and expensive process. What's more, a common thread running through such PLRs has been that the distribution options will be no more generous for that individual than would be allowed for the trust.

This is not without benefit, as it does give direct control of an IRA or share of an IRA to a trust beneficiary. But in such cases the distribution requirements will likely not be as favorable as if that person had been named the direct IRA beneficiary.

In Conclusion

In short, there should be a reason or objective behind a decision to name a trust as one's IRA beneficiary. And as always, it's wise to advise your client to seek competent tax and/or legal advice when making a decision as important as this one.

Compliance as a Cornerstone: Exploring Its Effect On Financial Institution Acquisition Marketing Strategies

By Alexa Bennett, Content Marketing Manager, Vericast

In the rapidly evolving landscape of financial institution acquisition marketing, the spotlight is increasingly shining on compliance as a cornerstone. As institutions pivot toward deposit-focused strategies, understanding and navigating the intricate web of regulations becomes paramount. In this exploration, Stephenie Williams, Vericast's vice president for marketing product and strategy, outlines the critical compliance factors that financial institutions should consider and their implications for acquisition marketing.



Q: As financial institutions pivot toward deposit-focused acquisition marketing, what critical compliance factors should they keep in mind?

A: A primary compliance concern related to deposit-based marketing has to do with the prohibition

against unfair, deceptive or abusive acts or practices, pursuant to the Dodd-Frank Act and known as "UDAAP".

One focus of UDAAP is whether an act or practice is unfair. Something is "unfair" when it causes or is likely to cause substantial injury to the consumer. This doesn't mean physical injury — it could be financial injury. The key is that the injury is not reasonably avoidable by the consumer, and the injury is not outweighed by countervailing benefits to the consumer or the competition.

While compliance requirements can be complex, they must be a paramount consideration for financial institutions looking to minimize the risk of even unintended violations. This is especially true when it comes to targeting. This is where you need to look closely at the attributes used for targeting.

Q: What should you look for when it comes to attributes used for targeting?

A: Certain attributes you would typically avoid include age, gender, national origin, marital status, and the like, although exceptions may apply, such as if you are marketing an age-based account or you are specifically marketing to meet Community Reinvestment Act (CRA) goals. Financial institutions should work with their legal and compliance departments and ensure that their marketing partners are doing the same, so that any attributes used for targeting comply with UDAAP.

"Attributes are a tricky area that requires focused attention — something you thought was benign could end up being an issue."

Financial institutions and their marketing partners must prioritize UDAAP compliance when selecting attributes—the right audience is crucial, but not at the expense of the risk of treating consumers unfairly

Q: Besides consumer attributes, what other data can be used in a compliant way to enable financial institutions to find deposit-focused acquisition opportunities?

A: It is necessary to have several different views of market data. Market factors such as product penetration, consumer loyalty, and average product balances, for example, can provide insights into market opportunities before anything hits the market.

Q: What makes it challenging for financial institutions to handle compliance regulations when it comes to marketing?

A: There are a few common reasons for this. The most common reasons are staff knowledge of compliance interpretation and the inability to foster a "speed to market" mindset. This results in making compliance a lesser priority. Not that it isn't important to the bank or credit union, but some financial institutions may not have the full, dedicated compliance and legal resources afforded to other larger institutions or companies.

Each time you run a marketing program; you must ensure it complies. But if you're doing that with a less knowledgeable partner, the lead time to get to market can be extensive.

"However, if you're working with a partner who already understands financial marketing and compliance, you can trust that your marketing partner has done their part."

Q: What factors should banks and credit unions consider when assessing compliance qualifications while selecting a marketing partner?

A: Clients should ask their marketing partner about their specific compliance protocols and monitoring practices. As a former bank marketer, I understand how important it is to trust that your compliance partner has your back. If you work with a partner who doesn't understand compliance at a high-level, that could be a problem.

"Having designated legal resources focused on marketing

Continued on page 13



Thank You to
VERICAST

FOR SPONSORING ISSUES & ANSWERS

“An Ill Wind that Blows No Good”: Economic Headwinds and Asset and Liability Management



By Elizabeth Madlem, Vice President of Compliance Operations and Deputy General Counsel, Compliance Alliance

Financial institutions are facing headwinds on account of burgeoning non-performing assets, corporate malfeasance, a slowdown in the economy, and a mismatch

between the maturity profile of assets and liabilities. Severe liquidity strains caused the failure of Silicon Valley Bank, Signature Bank and First Republic Bank. Yet despite weaker economic conditions, sharply higher interest rates, high inflation, financial market stress and concerns over a potential recession, the banking industry demonstrated resilience. How?

Asset and Liability Management (“ALM”): it is a common phrase thrown around a board room when in discussions about the viability and future of a bank. It is the practice of mitigating financial risks resulting from a mismatch of assets and liabilities, a combination of risk management and financial planning. Not only is it vital for the sustainability and longevity of financial institutions within the financial landscape, but it solidifies the important roles that banks play in maintaining the stability and growth of economies. Liquidity risk has become an increasingly important parameter for the assessment of a financial institution. But with a new age of depositor behavior and evolution of regulations, achieving a dynamic, integrated ALM program is challenging for banks of all sizes.

Low interest rates lasted years, resulting in a complacency among financial institutions regarding deposit balance behavior. Then, during the past two rising rate cycles, deposit balances grew, coupled with an unusual systemic deposit inflow from 2020-2021 as a result of COVID-19 pandemic-related government fiscal stimulus. But those early 2023 bank failures proved that depository behavior is changing. One of the more important lessons surrounded concentration risk. Prior, deposits were considered one of the safest products in the liability structure of a bank. But, as the industry quickly learned, some types of depositors are more sensitive than others. Large concentrations of a particular type of client create a higher risk of deposit flight, as was the case with SVB. As a result, banks are needing to diversify their funding basis.

The ALM function covers a prudential component and an optimization role within the limits of compliance. Prudential meaning the management of all possible risks and rules and regulation, with optimization covering the management of funding costs, generating

results on balance sheet position. But the industry is riddled with change: business cycles becoming aggressive, global ecosystems and third-party risks becoming more complex, regulations rapidly changing, more stringent compliance enforcement—financial institutions are going to be forced to adopt an agile ALM framework with a broader perspective scoping out broad objectives of the bank’s asset/liability portfolio, as dictated by the Board in order to address new situations where a policy does not yet exist.

With the adverse interest rate environments, it has been found that most ALM system and processes are not providing accurate and explainable outcomes scaled to meet transaction processing requirements. They lack flexibility to support interest rate risk reporting, scenario modeling requirements and “what if” analysis and are unable to scale to account for a bank’s contract and account volume of deposits and loans. There exists a lack of transparency in the underlying calculation logic, resulting in unexplainable and independently unverified data.

It is important banks assess the three pillars within an ALM program to include: ALM Information Systems, ALM Organization and ALM Processes. These pillars address the four key components examiners test on: board and senior management oversight policies, procedures, and risk limits; management information systems; and internal controls and audit.

ALM Information Systems addresses Management Information Systems and information availability, accuracy, adequacy, and expediency. Information is the key to ALM strength. ALM Organization requires a strong commitment from the Board and Senior Management to integrate basic operations and strategic decision making within risk management. The ALCO decision-making unit monitors market risk levels comparative to Board set risk-limits, articulates the current interest rate view and view on the future direction of interest rate movements to strategize for future business opportunities, and reviews the results of and progress in implementation of the decisions made. Lastly, the ALM process encompasses a scope of liquidity risk management, management of market risks, trading risk management, funding and capital planning, and profit-planning and growth projection.

While the above is not all-encompassing, it does assist financial institutions in knowing that their ALM foundation is robust and agile to respond to evolving needs, and that it is modelling the balance sheet, projecting net interest income and economic value of equity all while performing scenario analysis and stress testing to

[Continued on page 15](#)

Continued from page 12

assess the impact of key performance indicators. This means also hiring a quality of ALM professional who understands the need to replicate the portfolio from a sensitivity point of view when modelling a balance sheet or replicating cashflow including complex structured products and embedded optionality. It requires accuracy and reliability to demonstrate what is happening right now within a portfolio. As stress testing and scenario analysis demands continue, banks need to be able to respond consistently to multiple scenarios via its credit stress models. It should account for evolving requirements, meaning the bank should be able to run a scenario analysis, including stress testing non-interest-bearing checking accounts if there is a move to a higher interest rate.

Financial institutions need to recognize that change is necessary for how they tackle managing liquidity and

interest rate risks. ALM and liquidity as two essential parts of the bank's overall model risk management structure. Ensure the Board has at least one director with a solid understanding of balance-sheet management concepts. Be proactive in identifying risks and updating policies and procedures before implementing new products or activities. Reevaluate and communicate guidance and risk tolerances to bank personnel. With the economic landscape, particularly that of community banks, changing significantly, it directly correlates to a heightened need of attention to ALM risk management strategies and processes.

Elizabeth Madlem is the Vice President of Compliance Operations and Deputy General Counsel at Compliance Alliance. As the Vice President of Compliance Operations, Elizabeth oversees C/A's Products and Services and plays an important part in all operational areas of C/A.

Continued from page 11

compliance is critical."

The ability to take regulatory and legislative information and digest it to improve every targeting program to ensure compliance takes investment yet makes all the difference.

Q: How is Vericast working to bring marketing and compliance together?

A: Our Checking Engine's approach along with our Market Intelligence Platform helps banks and credit unions target in a way that doesn't build targeting off of demographics in isolation but instead creates a market score based on the averages of the institution's performance, market area benchmarks, consumer behaviors,

and previous marketing performance.

We take a compliance-forward view when it comes to targeting along with a client-first, consultative approach. We've invested in our compliance-forward approach by engaging with market experts to obtain a holistic view of the market ensuring our acquisition marketing strategies are compliant while also providing a performance valuable for clients. With legal and compliance experts, many of whom are former regulators themselves, we approach compliance as a strategy not as an afterthought or checkbox for a legal requirement.

Vericast has your back with deep compliance knowledge and outstanding attention to detail to help your financial institution build a highly

effective acquisition strategy. Learn more and contact us to discuss how we can help.

Stephenie Williams specializes in consumer acquisition marketing optimization for the financial services industry. Her experience spans more than twenty-five years in the financial services, retail and automotive industries. Williams has worked with companies to inform marketing with data ultimately helping clients achieve their key KPIs through the creation of business cases that facilitate the deployment of data-driven audience selection, creative messaging, and measurement to fuel an ongoing agile channel optimized marketing programs.



WBA Advocacy

MAKE YOUR VOICE HEARD!

Use our new advocacy platform to share your views with Congress, state legislators, and more!



Check out the online action center here:

votervoice.net/wabankers/home