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# Portland banks try wealth management

**Premium content from Portland Business Journal - by Matthew Kish**

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In February, Cleveland, Ohio-based

**<http://www.bizjournals.com/profiles/company/us/or/beaverton/keybank/3237823/>** hired **Dave Lofland Jr.** to light a spark under its Portland wealth management practice.

The bank ranks No. 6 in Oregon deposit market share, but Key Private Bank barely cracks the top 30 when it comes to assets under management.

Lofland's task: increase the \$300 million in assets the bank manages for wealthy Oregonians. His goal: \$1 billion.

KeyBank and Lofland aren't alone.

Real estate profits that once flooded the bottom lines of Oregon banks dried up more than two years ago. The Dodd-Frank financial-overhaul law has also made retail banking less profitable. And with unemployment still hovering around double-digits, banks have struggled to find businesses worthy of loans.

Toss in a massive generational shift in assets as baby boomers retire and pass down wealth and it's easy to see why wealth management has become one of the hottest areas in banking.

KeyBank is just one of dozens of institutions aggressively courting banking relationships with small business owners, doctors, lawyers and other Oregonians with six-figure paychecks and seven-figure brokerage accounts.

The financial services industry can use the boost.

The industry employes 92,100, down nearly 15 percent from a March 2007 high. Oregon's 29 state-chartered banks employ 5,576, down nearly 7 percent in the past two years.

## **Wealth managers in demand**

Lofland is among those hiring.

Key Private Bank has hired seven in the last year, bringing its headcount to 22.

Like many, it's also expanding its services to become more of a full-service wealth management practice, with offerings like business advisory services and more financial planning and investment expertise.

The dash to grab wealth management clients started more than two years ago when Portland-based

**[http://www.bizjournals.com/profiles/company/us/or/portland/umpqua\\_bank/3237922/](http://www.bizjournals.com/profiles/company/us/or/portland/umpqua_bank/3237922/)** launched a wealth management division, re-branded its broker-dealer subsidiary and hired several prominent industry veterans.

"Ray is two-and-a-half years ahead of our competition," said **Kelly Johnson**, executive vice president of Umpqua's wealth management division, referring to Umpqua CEO **Ray Davis**. "When other banks were laying people off, we were building."

Johnson joined the bank in January 2009.

Since then, its assets under management have grown to \$2.3 billion. And that doesn't include assets managed through a partnership with Portland's

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Umpqua's wealth management arm employs 85 and still has a handful of open positions for financial advisers and private bankers. Johnson's goal: \$10 billion under management.

"I think we can get there," he said. "We've got a number of opportunities beyond Portland."

A handful of other banks and financial institutions are growing as well.

Here's an incomplete roundup:

Wells Fargo remains the dominant player with \$11.4 billion in assets under management in the metro area. The firm is opportunistically hiring.

"We're continuing to see considerable growth in this area of our business," said **April Sanderson**, regional head of the bank's wealth management unit. "What we're seeing is firms are adding people because the economy is picking up and there's more (mergers and acquisitions) activity which is creating liquidity events."

In April, U.S. Bank launched Ascent Private Capital Management, a new wealth management brand for ultra-high net worth people.

The Minneapolis-based bank has yet to roll out the service in Portland, but the bank is already one of the city's top wealth managers.

It has \$2.6 billion in assets under management in the Portland market through The Private Client Reserve at U.S. Bank, making it the city's second-largest money manager.

U.S. Bank also ranks No. 1 in Oregon in bank deposits.

The bank's wealth management division has added approximately 25 new employees in Portland in the past couple of years.

"Like the rest of the industry we have seen lots of opportunities in the high net worth marketplace," said **Mary B. Ruble**, chief marketing and learning and development officer for U.S. Bank Wealth Management Group in Portland.

[http://www.bizjournals.com/profiles/company/us/nm/albuquerque/bank\\_of\\_america/3208450/](http://www.bizjournals.com/profiles/company/us/nm/albuquerque/bank_of_america/3208450/), which holds the No. 3 share of retail bank deposits in Oregon, offers wealth management through U.S. Trust, which it acquired in 2006, and

[http://www.bizjournals.com/profiles/company/us/or/portland/merrill\\_lynch/3238379/](http://www.bizjournals.com/profiles/company/us/or/portland/merrill_lynch/3238379/), the brokerage firm the bank acquired in 2009. Each serves affluent customers, but U.S. Trust caters to those with more than \$3 million in investable assets.

Each has been growing about 10 percent annually.

"The integration with Merrill Lynch and Bank of America and the partnership with U.S. Trust has surpassed all of my expectations," said **Tracy Murphy**, Merrill Lynch's Oregon director. "We've created a phenomenal offering in the marketplace."

U.S. Trust now has \$2 billion in assets under management. Merrill Lynch has about \$8.7 billion in assets under management in Oregon.

Tacoma-based Columbia Bank has hired a half-dozen in its Portland wealth management office in the past year. It now employs 12. The bank's wealth management arm manages \$1 billion of assets, including \$50 million in Portland.

"We've made a commitment to growing our wealth management offerings in the Oregon market," said **Dean McSweeney**, director of wealth management.

Even non-banks want to cash in.

The Portland investment bank Paulson Capital Corp. hired veteran banker **John Noble** in October

and charged him with building a wealth management division from scratch. He wants to hire 20 wealth managers this year and make the new division — Paulson Wealth Advisors — a go-to name for millionaires in need of investment advice.

Why wealth management?

The surge in wealth management offerings is part economic, part demographic and part historic.

“Mortgage used to be the big gravy train,” said **Nels Paine**, managing director of Lake Oswego-based Paine Pacific LLC.

The Dodd-Frank financial overhaul law has also made it more difficult for banks to squeeze profits out of retail bank branches. Wealth management also gives banks access to “sticky” money.

“It’s an affluent customer that tends to have more bank products on their personal balance sheet than basically any other customer: a mortgage or two, big deposit balances and wealth management services,” said **Jim Bradshaw**, senior vice president of research at Portland’s Bridge City Capital LLC. “Those are all lucrative products for banks at large.”

As baby boomers age, there’s also a growing need to manage money that’s no longer overseen by a company-directed 401(k) or retirement account.

The shift is also part of the post-Lehman Bros. banking landscape which is still trying to find its center of gravity.

“All of Wall Street culture has changed,” Paine said. “Banks are trying to redefine themselves.”

It’s too early to say which banks might be the winners. Inevitably the industry’s growth will slow.

“A lot of folks are chasing it, so eventually the excess returns will get dissipated away due to competition,” Bradshaw said.

Paine added that community banks, which aren’t owned by Wall Street giants, might have an advantage because of some lingering distrust of mega-banks.

He added that the final score will ultimately reflect the success of each bank’s efforts to protect and grow client money.

“It’s going to come down to performance,” Paine said. “What is wealth management? It’s trading and managing dollars. If you start losing a lot of my money, I’m gone.”

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