



# *Eagle Net*

**WHERE EAGLES SOAR INC.**  
**500192 Grey Road 12**  
**Markdale, Ontario. N0C 1H0**  
**Tel: 416-347-2469, 905-873-7733**  
**Pat Palmer – Principal & CEO**  
**E-Journal Newsletter – March 2010**  
**E-Vol. No. 39**

## **ARE WE OFF & GROWING?**

2010 has started with an aura of optimism and at the same time short-term balloons of growth. In Canada, the provinces of Ontario and British Columbia will introduce a new Harmonized Sales Tax (HST), which not only combines the previous federal and provincial sales taxes but also extends the purchase elements to be taxed. A critical area relates to house purchases commencing after July 1<sup>st</sup>. Naturally, with the pent-up recessionary demand, low interest rates, somewhat improved job prospects combined with potentially significant more tax costs on home acquisitions plus the fuelling tactics of real estate agents, home prices have reached high growth levels in the past few months around Toronto and Vancouver. Bidding wars and weekend auctions have seen many homes sell above listing prices.

The Canadian Government has sent some strong signals on new insured mortgage parameters and the mixed economic trends have started to stimulate more cautionary approaches. The possibility does exist in some cases that in the next few months some of the original purchase prices could be higher than their post market values and hence their mortgage sizes. Also we have to remember that structural spending by Governments are continuing through this year and then, the deficits will be addressed with proactive cuts and revenue increases. Naturally, the temptation by government will be to raise or create new taxes and without prudent management we could be back on a treadmill to disaster. Basically, if tax increases are used to generate new revenue, they will undoubtedly lead to job losses and more underground economy alternatives, hence less tax revenues. Again, a foolish government will try to generate more tax revenue by increasing various fees and tax rates and we are on a self-defeating treadmill.

The next 3-5 years will be a time of caution and contingencies in all sectors and especially with consumer spending. Consequently, organic growth will not create the business volumes for financial service organizations that have historically been there prior to the recession. We will be in a period of corrections from the federal government down to the average taxpayer.

# ***Eagle Net***

Page 2.

## **FINANCIAL EDUCATION**

Years ago (not to mention how many) when in elementary schools, people called bankers came in periodically to teach us about basic banking, budgeting and savings. In fact, we were encouraged to save a dollar and open an account to deposit income from allowances, newspaper routes, bottle collection or odd jobs and errands for friends and family. By the time you could see over the marble counters and through the brass grills you had started saving and knew how to do deposits and yes, withdrawals (for that new bicycle). Plus you understood interest earned (at 3% annually/paid semi-annually). It was the beginning of our financial education.

For some reason, the teaching intrusions ceased and students were no longer learning about money management. The early indicators were when young clerks in retail establishments could no longer make change effortlessly. In fact when you bought something for \$7.39 and presented a \$10 bill, the confusion was evident. Even after the advent of the smart cash register, which would show change required, i.e. \$2.61, the clerk would still look at the open till with great hesitation. These young people have a low knowledge of money, finances and now, debt or credit.

The Internet has opened the door to many sites dedicated to financial literacy but its use would suggest it is primarily reactive after problems have arisen. In the U.S.A. the credit union movement works with [www.balancepro.net](http://www.balancepro.net) to educate consumers on financial and debt management. Yet most financial institutions have avoided going back into elementary and secondary schools to help build the required financial foundations. Knowledge creates prosperity. Ignorance produces problems. Where do you want our future generations to be financially? We need to educate ourselves on our financial outreach priority and solutions. Let's help the future have stronger financial literacy and build prosperity from the early learning years through adulthood.

# ***Eagle Net***

Page 3.

## **SCAM WARNINGS**

A couple years ago, we highlighted the need for financial institutions to regularly warn consumers concerning various criminal scams. The majority of the fraudulent initiatives that come to our attention today through our own research and highlights from friends in banks and credit unions, still centre on the Internet, with "Phishing" attempts to obtain individuals' private information. The most recent was a bogus series of e-mails purporting to be from the Canadian Revenue Agency or the tax collector – an organization feared by most. Unfortunately, people do respond to these criminal e-mails and the results are disastrous. Secondly, the fictitious phone calls continue and to a lesser degree the impersonators who knock on doors and generally target seniors.

As we review various financial institutions' websites, we find the majority do not run a "warning" or "alert" page for consumers. Also, most branches don't display information on scams going around. Yes, the names of trusted banks and credit unions are the targets of criminals but we have a social responsibility to keep everyone properly informed as to the truth impacting our customers and communities.

First, assess how best you can reach your stakeholders on a timely, reliable manner. The web page may be appropriate to contact some (ensure you have a "news flash" on the opening page), but consider all your segments and what information reaches them correctly. Even consider regular news releases to radio, TV and print media as well as bulletins at places where key groups meet e.g. seniors' centres.

Second, encourage people to check out troubling enquiries with you. Based on the information you may be able to clarify authenticity or redirect the details to the appropriate authorities for follow-up. We are still trusted by many consumers.

Recently, a close friend and seasoned businessman came to me to let me in on an important secret, which could make him very rich. To make a long story short, my friend had been e-mailing back and forth with a professional scammer who said he was in the U.K. In fact, there were even a few telephone conversations. After assessing the information and external evidence, it was obvious that I had to burst my friend's dream and direct him to the RCMP, which I hope he did to protect others. All of us have to take this issue more seriously in our organizations. Scammers prey on the unsuspecting and they need the correct information from the financial industry at every opportunity.

# ***Eagle Net***

Page 4.

## **CANADA**

### Native Banks Challenge Federal Government

Canada's Federal Government has allocated \$13.5 million for five financial institutions as a risk reserve to encourage larger "on reserve" business loans. Three credit unions, an affiliate of TD Canada Trust (First Nations Bank of Canada) and the Government's own Business Development Bank will receive the preferential treatment. A court action has been brought against the Government by a company representing the 57 aboriginal financial institutions stating that they were secretly and unfairly left out after struggling to develop on-reserve solutions for the past 20 years.

### Improving Satisfaction with Financial Advisors

Vision Critical, a research firm has found investors' satisfaction improving with financial advisors after the recessionary meltdown.

#### **Top 5 in Wealth Segments**

<b>\$25K to 100K</b> (Emerging Affluent)	<b>\$100K to \$250K</b> (Mass Affluent)	<b>&gt;\$250K</b> (Affluent/High Net Worth)
Desjardins Securities RBC CIBC Scotiabank BMO	RBC Dominion Securities Desjardins Securities CIBC Wood Gundy Dundee Wealth Mgmt. RBC	Scotia McLeod RBC Dominion Securities CIBC Wood Gundy Investors Group BMO Nesbitt Burns

Investors who were more satisfied, received consistent advice and spoke to their advisors more than twice as much as those who were dissatisfied.

### Macquarie Group Continues to Grow Its Presence

Macquarie, the giant Australian institution, continues its acquisition growth since 2007. Blackmont Capital's chain of financial advisors puts it up against the heavy hitters such as RBC Dominion Securities and BMO Nesbitt Burns in the business of stock brokerage and mutual fund sales to the average Canadian.

# ***Eagle Net***

**Page 5.**

## **U.S.A.**

### Citi's Retail Labs

For decades, Citibank has operated labs for future retail applications. In the early 90's in Santa Monica, Jerry Rao and Jeroen Tas spearheaded the retail technology lab, which brought many electronic and self-service innovations to the retail banking mainstream such as the back-to-back ATM i.e. an ATM box with access on two sides. Jerry and Jeroen went on to create their own business, Mphasis, based in India, which was sold to EDS in recent years.

The current branch lab or bank of the future project is led by Chris Kay formerly an executive at Target Stores so as you can imagine there is a "convenience store atmosphere". The lab focuses on attraction, engagement and connection or sell. There are tabletop kiosks to look at real estate trends and to access travel deals; a media wall streaming local news, weather and events; smart ATMs which have individual, customized welcome screens; and of course a sales wall for investments and major purchases, such as a home, which provides consumers with their options. Complimenting the lab will be Citi's digital wallet, which allows users to pay for everything by tapping their phones on a console. Citi's innovation lab is directed at the more tech-savvy consumers to make the branch/store a true destination.

### New Look Credit Card Statements

The CARD Act is now implemented and card issuers are putting their compliance plans in place including statement changes.

- An illustration of how long it will take to payoff the balance at the minimum rate versus within a maximum 3 years.
- Contact information for non-profit counselling agencies (government approved) e.g. National Foundation for Credit Counselling (NFCC) National Locator Line.

### Freddie Mac Steps to the Plate

Freddie Mac, the government's mortgage finance company, will now buy back troubled loans contained in securities it has already sold to investors! When the delinquent loans reach four months, payments for the repurchase can click in. Since 2008, both Freddie Mac and Fannie Mae have received \$111 billion in federal aid.

## Fraud Research Report Released

Trends in Online Banking: Fraud Prevention and Customer Authentication – a new research report by Gatepoint Research was released in February. Senior financial executives (over 2,000) participated. The respondents cited that new online credit card account registrations were their number one major source of risk resulting in financial loss. Almost two thirds felt preventing fraud was more important to their online business than customer convenience. The reality has to be that customer satisfaction can't take a back seat to fraud reduction. There needs to be a balance.

## Web 2.0 Creates Engagement Marketing

The social networks have exploded, offering a new era of network or engagement marketing increasing consumer control of choices and channels. Now approximately 20% of all Internet users use Twitter or equivalent options to participate in conversational networks. On the horizon is Web 3.0 – digital media, which will raise the medium stakes amongst present, emerging and new networking possibilities. The "social segment" is bound to expand as well as the marketing innovations directed at them as more and more devices are purchased by consumers. The challenges internally to understand, adapt and be proactive with the new Web generations outreach will be a strategic success necessity.

## **THE LAST WORD**

In the Eagle Net and through our blogs, we continue to reinforce that growth will come from market share gains by:

1. increasing business with current relationships
2. receiving referrals from satisfied clients

A discussion with the CEO of one of our affiliates showed startling differences between his clients with CRM systems and those without, in terms of business growth in the past few months. The proactive, personalized sales activities with CRM have proven themselves time and time again. These systems have been around for over two decades and the major banks were the first to invest in the technologies and associated techniques. Still, some have not commenced the database disciplines and are vulnerable to attacks from others.

As far as referrals are concerned, remember we are all members of various social groups, formal and informal, wherein we have trusted relationships and support. The majority of us are pleased to recommend family members, friends and associates to use, see or visit services etc. that we are pleased with.

# ***Eagle Net***

**Page 7.**

In business we actually give each other formal testimonials to use in sales and promotions. The action step that is missing in most cases is a simple process to obtain and follow-up on recommendations.

If you want to see growth, focus on your most valuable asset – your client franchise and put in place the proactive methods to expand relationships and referrals. Need more information? Contact COO, Judy Johnston, or me at [judy@whereeaglessoar.com](mailto:judy@whereeaglessoar.com) or [pat@whereeaglessoar.com](mailto:pat@whereeaglessoar.com).