

# Financial Assessment

## Leaders Weigh In on Challenges, Opportunities

By Matt L. Ottinger

**V**olatility. Change. Evolution. These words are now consistently bandied about by executives in Indiana's financial management and banking professions. As the global economy strives to rebound, new technologies and approaches are evident by those who handle funds and give advice regarding Hoosier incomes.

*BizVoice*® spoke to three financial leaders to learn what's taking place in their industries.



**Dan Maddox** Senior VP, Citizens State Bank of New Castle and Town Financial Corporation

### The background:

Town Financial Corporation is the holding company that operates two Indiana banks – Citizens State Bank of New Castle and Pacesetter Bank in Hartford City. The two banks are in the process of merging, leaving Citizens State Bank with the

surviving charter, \$425 million in assets and 16 locations throughout east central Indiana.

"2013 is a monumental year for Citizens State Bank," Maddox explains. "It's our 140th anniversary and we're the third oldest state-chartered bank in Indiana."

He estimates that Town Financial serves 20,000 to 25,000 customers.

"We focus on being relationship bankers," Maddox contends. "We take time to understand the individual and recommend products and services that make the most sense. Not taking a one-size-fits-all approach – that's been our underlying philosophy from day one."

### What's the biggest challenge facing your industry?

Maddox believes the banking world is evolving, leaving community banks to wallow in the morass left in the wake of problems with larger institutions.

"Our issues are more the regulations that are painted with a really broad brush that pull in community banks for the missteps from some of the larger and more systematically important banks in the country," he articulates. "But we have



Institutions of all sizes continue to search for ways to help customers bank while on the go.

very good relationships with our Indiana regulators and feel they have a pretty common-sense approach on most issues.

"Our biggest issue is keeping up with a constantly changing compliance landscape and the associated costs with that."

He says that being a \$400 million bank, his organization doesn't have the resources of larger institutions that can spread responsibilities around.

"It makes people wear a lot more hats," Maddox remarks. "But with that said, our approach is that we have to accept the rules and frameworks we have to play by, and we take that very seriously."

He adds that, in general, a dearth of loans is often a hurdle in today's climate.

"Industrywide, regarding us or JP Morgan, it's finding loan demand right now (that is a problem)," Maddox notes. "There's been a lot of balance sheet expansion for banks, mostly stemming from all the liquidity the Fed has pumped into the system the last three or four years, and finding a corresponding asset to match that deposit growth is a real issue given the minimal yields you can find in the investment portfolio side."

### What's your best opportunity for continued growth?

Innovative banking technologies are appealing to a new generation of clients, according to Maddox.

"A lot of times we're thinking of these new technologies that are only relevant to Gen X or Gen Y, but we feel that's just as relevant to a Baby Boomer," he clarifies. "We feel like those products – intuitive, mobile and online channels – are just a necessity in today's environment, and we continue to work on our product offerings to make sure we're relevant in the 21st century."

Mobile banking products, such as remote deposit capture and online bill paying from cell phones, have been very successful.

"Any sort of online offering like opening and funding a checking account or applying for a loan or having a loan funded without ever entering a physical location (is popular)," he says. "Being more like an online bank, but also having a physical presence is important. We talk about how important these online media are to reach clients, but you still have to be visible in your trade area with a physical location – and I don't think that's going away."

### INFORMATION LINK

**Resource:** Dan Maddox, Town Financial, at [www.townfin.com](http://www.townfin.com)



## Mark Chamberlain *Chairman and CEO, Lakeside Wealth Management*

### **The background:**

Chamberlain is a founding partner of Lakeside Wealth Management, which was formed in 2004. The Chesterton-based company helps its clients manage their money – with retirement serving as a primary focus.

“The 401(k) business is our niche and our specialty,” Chamberlain conveys.

Lakeside boasts a number of advisors who have been recognized nationally for their work, and the organization provides wealth management for many businesses. Prior to Lakeside, Chamberlain was a floor trader and broker at the Chicago Board of Trade, specializing in agricultural and financial futures.

“We get to interact with business owners and C-suite executives and a fair amount of high net worth investing on an individual and family basis too,” he says of Lakeside.

### **What’s the biggest challenge facing your industry?**

According to Chamberlain, challenges abound due to misinformation and evolving regulation.

“One challenge is generally the amount of information that’s available,” he surmises. “My opinion is the media tends to spin information so it’s more entertaining than informational. Just look at the presidential campaign. If you watch Fox News, you hear one story; if you watch CNN, you hear another story – all about the same story. The flow of information is something clients struggle a lot with.”

He also feels government gridlock and ill-advised regulators who aren’t always in tune with the realities of wealth management have put unnecessary pressure on advisors.

“To legislate something is a long process, and you have to have cooperation from the White House, the House and the Senate,” Chamberlain points out. “In the last couple of administrations, that’s just been difficult to do. But what’s happened lately is that stuff that would normally be legislated is now being regulated.

“For example, the heads of the Department of Labor can push through regulation and their intent is to protect the average investor,” he continues. “But because they’re not in the business, they don’t understand the unintended consequence and the regulations can be counterproductive to what the intent was. Whereas in the legislative process – because it’s so difficult to make a law – a lot more time and effort goes into understanding the pros and cons than a regulator who just puts out a rule.”

He adds that trust remains a sticking point in today’s management climate.

“With some of the things that happened after the last recession, with (Bernie) Madoff ... and with investments in

general and all the paperwork a client has to go through now, to open an account is like buying a house,” Chamberlain relays. “I think our industry has taken a bruising from these things, even though 99% of advisors are good people who work hard for their clients.”

### **What’s your best opportunity for continued growth?**

When asked how Lakeside plans to capitalize on opportunities in the future, Chamberlain asserts 401(k) management provides a unique pathway for success.

“In the 401(k) space, it’s more complicated with more regulation, so there are less advisors setting up retirement plans for companies, though the ones who do it are doing it more than they ever have,” he states. “I think I saw a statistic that there are just 1,500 advisors in the whole country who have more than 25 retirement plans under their management. We happen to have 100. So the competition is weeding itself out.”



**Mark Chamberlain and his team find ways to assist clients with managing their wealth. He says 401(k) planning is heavily regulated, but it’s been a strong niche for his company.**

He also points out a trend to migrate to fee-based advice and holistic financial planning.

“The days of the insurance salesman or the guy selling a specific investment are numbered – at least if you’re going to have a growing business,” he believes.

He adds that with states like Illinois and Michigan “stumbling” by creating less favorable business climates, Indiana is poised for growth that will ultimately lead to more clients for Lakeside.

### **INFORMATION LINK**

**Resource:** Mark Chamberlain, Lakeside Wealth Management, at [www.lakesidewmg.com](http://www.lakesidewmg.com)



## Jerry Nickel *President and Founder, Midwest Ag Finance*

### The background:

Midwest Ag Finance was founded in Rushville in 1998 as an alternative to large financial institutions.

“As the banks in Indiana consolidated, the larger banks did not have the capacity to do the restructuring work that had

typically been done by the community banks they had purchased,” Nickel recalls. “There were fewer people doing that work and I saw that niche.”

Agribusinesses and farms require special types of financial planning services, and Midwest Ag offers agriculture, Farm Service Agency and commercial loans, as well as equipment leasing and crop insurance.

“Crop insurance is a material part of our business,” Nickel qualifies. “That’s our fee income product, if you will. And the lending side is the predominant part of our business.”

### What’s the biggest challenge facing your industry?

Nickel declares that volatility is the greatest threat to both his industry and his clients at the moment as pressure mounts on American farmers and costs escalate.

“Right now, while everybody reads headlines about how high some of the commodity markets are and how real estate values have climbed, they don’t focus on how quickly their costs are rising,” he asserts. “This is the 34th crop I’ve helped finance, and I don’t remember any time where there was as much volatility as there is right now. It is a far more volatile world for our clients, and us by extension, than I can remember.”

Global circumstances are the main driver in agricultural fluctuations, according to Nickel.

“There are a lot of world economic causes, like low interest rates,” he ascertains. “And we have a lot of people to feed and more markets for our commodity. Generally, as demand becomes

more global and technology allows us to grow big crops, but then weather takes it away, it just causes great volatility in the markets.”

He says that hinders those in the agriculture finance sector as well.

“If you have a borrowing customer whose income stream becomes more volatile, the quality of your loan assets becomes more volatile,” Nickel pronounces.

### What’s your best opportunity for continued growth?

Nickel expresses the nature of the industry has changed as technology allows for larger harvests and growth.

“Technology has become much more of a driver of efficiency and consolidation in production agriculture because the producer units are getting larger,” he says. “In the credit business, you are financing larger dollars than you used to. When I started

my career many years ago, a \$1 million line of credit was pretty rare. Now, it’s becoming much more common.”

Market corrections and hopefully stability are in the process of emerging, but Nickel holds little certainty that will happen in the near future.

“History tells us that we may see a correction in asset values, and how the industry deals with that will be something to watch,” he relays. “I won’t tell you that correction will be in

the next 10 years, but it’s possible. And technology in agriculture is like technology in any business. It will continue to march on.”

But no matter what the market holds for Hoosier farmers and his business, Nickel maintains that Midwest Ag remains about personal relationships.

“We just continue to take care of the people we have and hope they’ll tell their neighbors,” he replies. “It’s a relationship business; it’s not transactional at all.”



**Farmers face not only volatile conditions in maintaining crop growth, but in managing their finances in a changing industry.**

### INFORMATION LINK

**Resource:** Jerry Nickel, Midwest Ag Finance, at [www.midwestag.com](http://www.midwestag.com)