



July 6th, 2023

Hello First name / friend,

Ever wondered how banks make money? I recently closed a commercial loan for a building purchase and the bankers are hounding me to open more bank accounts. It made me wonder if everyone out there understands how banks work. Here are 3 common ways they make money:

**1) Interest Income:** they take your deposits and immediately make loans (mortgages and credit cards) and charge interest to borrowers.

**2) Fee Income:** they charge account fees, ATM fees, wire fees, transaction fees, trading fees, low balance fees, overdraft fees, etc.

**3) Trading and Capital Markets:** they engage in their own buying and selling strategies for internal bank-owned investments.

Understanding how banks profit can guide you to make better financial decisions.

**Monitor the Interest Rates:** Banks earn from interest you pay. Choose loans with lower interest rates and savings accounts with higher rates to maximize your returns and reduce costs.

**Reduce Banking Fees:** Avoid high fees by knowing the transaction costs tied to your accounts. Opt for banks that waive maintenance fees based on total balances between all accounts, use free global ATM networks (Charles Schwab), or consider lower-fee digital or community banks.

**Assess Risks:** Understand the trading and investment risks your bank is taking. I learned this first hand while working for Merrill Lynch (taken over by BofA) during the Great Recession. Another example are the recent bank failures in 2023.

Stay informed about your bank's operations to make the most of your financial relationship and avoid pitfalls. Remember, your money should work hard for you and the banks have their own bottom line to worry about.

As Certified Financial Fiduciaries®, our team is on your side. We can engage in conversations with your bank and negotiate on your behalf, or at the very least, make sure you're not being taken advantage of.

[Click here](#) to schedule a time to talk with our **PACIFIC CAPITAL** team!

Ps. Check out a recent article I wrote for Entrepreneur Magazine called "[How Great Entrepreneurs Find Ways to Win During Economic Downturns.](#)"

Sincerely,



SCHEDULE A CALL

REFER SOMEONE

