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Together makes progress

Wealth management at regional banks

Tides are turning toward growth

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1. Introduction

The convergence of disruptive forces continues to influence the future of regional banking*. These forces include evolving customer needs, increasing competition, macroeconomic uncertainty, ecosystem partnerships and alliances, and accelerating regulatory changes. In addition, the transition from historically low interest rates to a prolonged higher rate environment has precipitated a challenge for regional banks, necessitating the need for these firms to reassess their business mix.

In recent years, wealth management has proven to be a crucial performance driver and a “pillar of stability” within the banking sector. Consequently, regional banks are now reconsidering the structure and value proposition of a scaled wealth management business model and are prepared to make the necessary investments to support this transformation.

While large retail banks have been relatively successful in developing their wealth management capabilities over the past decade, regional banks have encountered significant challenges. These difficulties can be attributed to five main factors:

1. The high costs associated with a financial advisor-centric delivery model and the related technology, such as modern adviser workstations
2. Lower revenues from management fees, as regional banking customers typically have lower investable asset levels
3. Challenges in attracting customers from large banks due to limited wealth products and services
4. Increased competition from other investment providers such as digital wealth providers, registered investment advisors, and brokerage firms
5. Regulatory issues, including high compliance costs, stringent capital requirements, complex fiduciary standards, and rigorous anti-money laundering (AML) and know your customer (KYC) regulations

In this paper we will discuss the following:

1. Why do regional banks need to make the growth of their wealth management business a strategic priority?
2. What should regional banks consider as they shift focus toward growing their wealth management business?

* Regional banks are midsize institutions—larger than community banks but smaller than national banks. They typically have assets ranging from about \$10 billion to \$100 billion, though definitions may vary.

2. Why do regional banks need to make the growth of their wealth management business a strategic priority?

Prevent loss of mass affluent customer base to other banks

The mass affluent sector, typically defined as containing individuals with investable assets ranging from \$500,000 to \$2 million, presents an enticing opportunity with 17 million households in the US included in this category as of 2025.¹ These customers are increasingly seeking a one-stop shop that offers sophisticated financial services that go beyond traditional banking, such as investment advice, retirement planning, and estate planning. Due to this growing demand, providing holistic wealth management services is now seen as a defensive move to prevent the loss of the mass affluent demographic. This is especially true when considering that these same customers not only account

for over half of financial holdings across all customer segments but also drive almost 50% of retail bank revenue and nearly 100% of their profits.²

In addition, the mass affluent group has significant potential for wealth accumulation through career advancement and inheritance. This leads to a significant portion of these people transitioning into the high-net-worth category over the next 5 to 7 years requiring wealth management services. For example, the number of high-net-worth households rose from 2.3 million at the end of 2022 to 2.9 million at the end of 2023.³

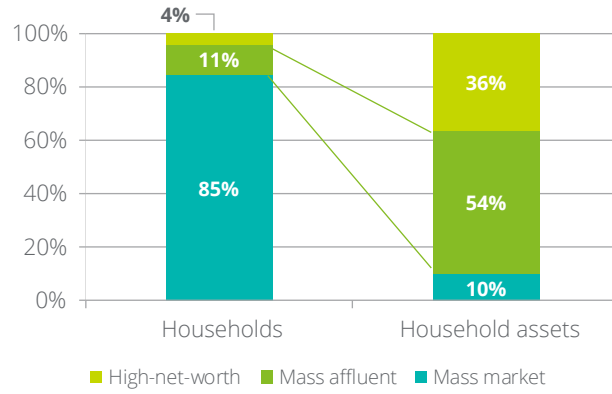
Figure 1. Wealth management client segments in the US, 2025⁴

Tier	Financial asset range	Number of households	Average financial assets	Total financial assets of tier (\$ billions)	Tier description
Ultra-ultra-high-wealth market	>\$50M	101,120	\$121,341,604	\$12,270	Institutional family office services (e.g., lifestyle management, wealth transfer, family governance, philanthropy management)
Ultra-high wealth market	\$20-\$50M	341,647	\$29,968,392	\$10,239	Family-office services
High-wealth market	\$10m-\$20M	1,001,831	\$13,373,971	\$13,398	Highly customized advice and product set (e.g., custom asset allocation, direct hedge fund investment, private equity, alternatives)
Wealth market	\$5m-\$10M	1,949,590	\$6,923,953	\$13,499	Personalized advice, wealth preservation, estate planning, access to sophisticated products (e.g., direct hedge fund investment, private equity, alternatives)
Affluent market	\$2m-\$5M	5,024,856	\$3,101,062	\$15,582	Personalized advice, need shifts to preservation, estate planning, increasingly complex product set (e.g., separate accounts, alternatives, private equity)
Mass-affluent market	\$500K-\$2M	17,329,019	\$1,006,780	\$17,447	Advice for accumulation/distribution, access to broader product set (e.g., separate accounts, alternatives)
Middle market	\$100K-\$500K	28,433,431	\$236,422	\$6,722	Standardized advice, some access to alternative asset classes
Mass market	<\$100K	78,850,438	\$23,230	\$1,832	Guidance, basic product set for accumulation and retirement income
All households	N/A	133,031,931	\$683,963	\$90,989	Varies by wealth

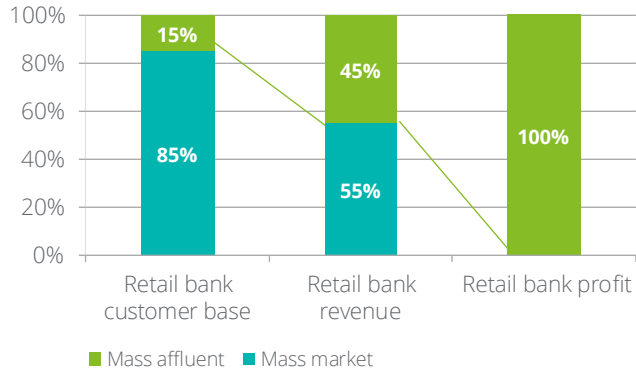
Source: Cerulli Associates, US high-net-worth and ultra-high-net-worth markets, 2025.

Figure 2. Mass affluent segment facts⁵

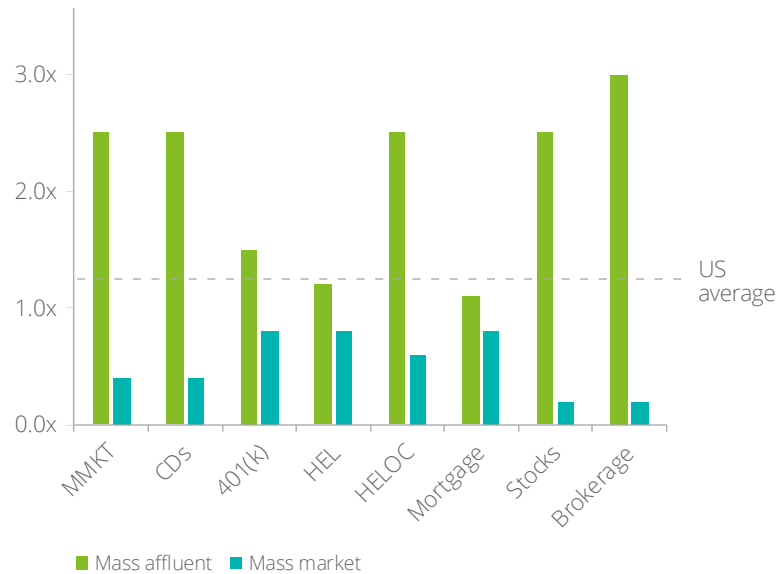
Mass affluent facts
 Mass affluent customers account for a disproportionate share of financial holdings...



...and the majority of retail bank profits



Mass affluent customer relationships tend to pivot to wealth and investments



Source: Nielsen financial track data

2.1 Wealth management services provide diversified and stable revenue streams, in addition to retail banking revenue

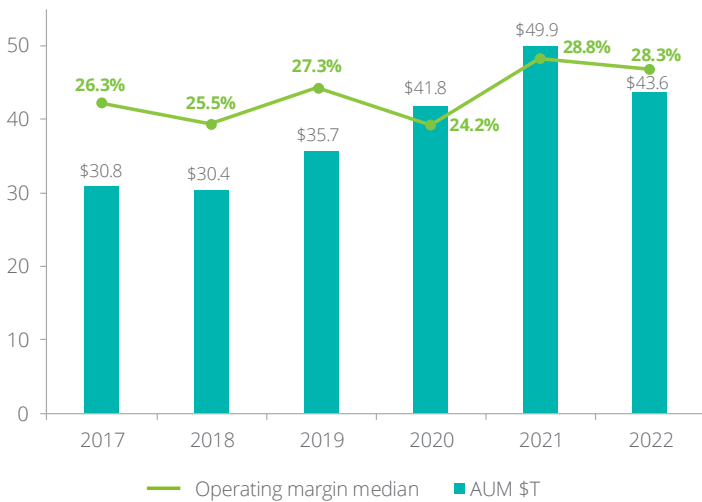
Wealth management services often include ongoing financial advisory services providing an opportunity for a stable and predictable revenue stream through asset-based fees. This stable income stream is particularly valuable during economic downturns, as fee-based services are less affected by interest rate fluctuations compared to traditional banking products. Despite significant market downturns in 2018 and 2022, wealth management operating margins remained consistent over this period.⁶

Figure 3. Wealth management industry trends⁷

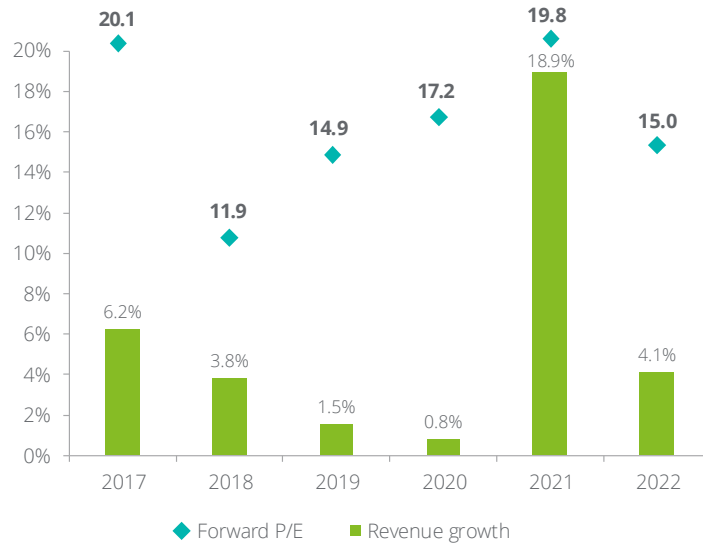
The wealth management industry has experienced a **period of steady and profitable growth**

Revenue growth remained positive despite some difficult years

Total US advised assets and margins
 \$ trillions, 2017–2022



Revenue growth and earnings multiples
 Median firm, % YoY revenue growth and forward P/E, 2017–2022



2.2 Advice continues to be the center of relationships

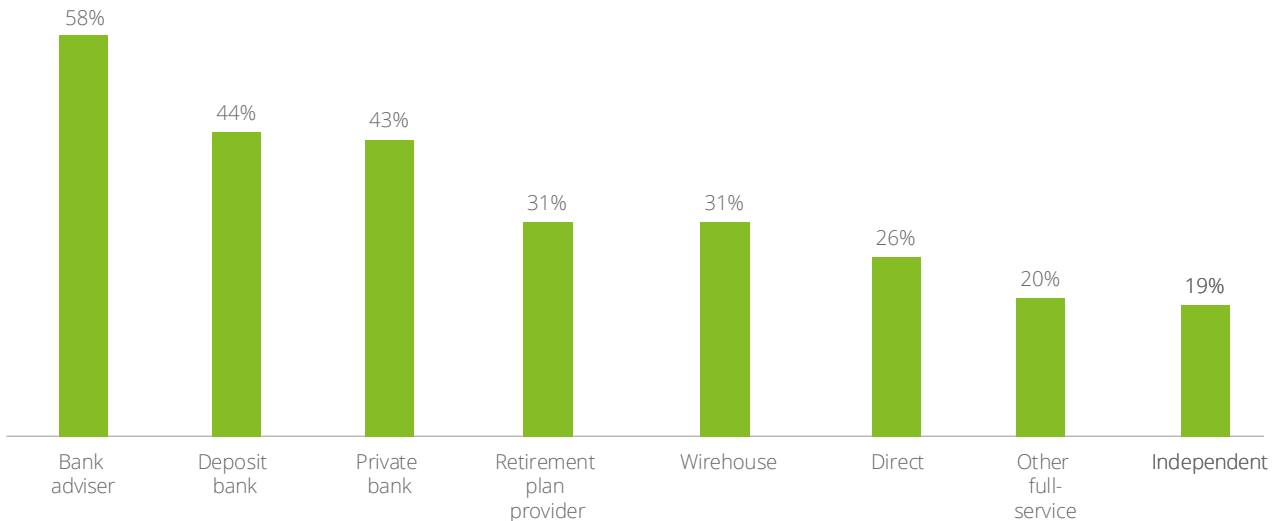
Providing comprehensive banking and wealth management services can deepen relationships with existing customers. This increases customer share of wallet, strengthening trust and reducing the likelihood of customers switching to competitors.

Regional banks have many advantages versus other types of providers who don't have an existing banking relationship with the client. Customers already trust their bank with savings, loans, mortgages, and other financial products. This trust gives banks a natural advantage when offering advisory services and provides them with the unique opportunity to bundle advisory services with these other offerings. This provides customers with a one-stop shop for their financial needs, offering them the convenience of having their entire financial ecosystem under one roof. Additionally, banks have access to detailed financial information about their customers,

including deposit balances, loan repayment histories, credit scores, and spending patterns. With this data, they can provide personalized advice based on a deep understanding of each client's financial situation, risk tolerance, and goals.

Other advice providers (e.g., robo-adviser platforms and digital broker-dealers) are trying to match the bank channel's offering by adding lending and more extensive cash management capabilities, in order to provide comparative advice/planning solutions. Given the availability and existing product relationships with these customers, banks are well positioned to be a customer's holistic advice provider.

Figure 4. Wealth management client provider preferences⁸



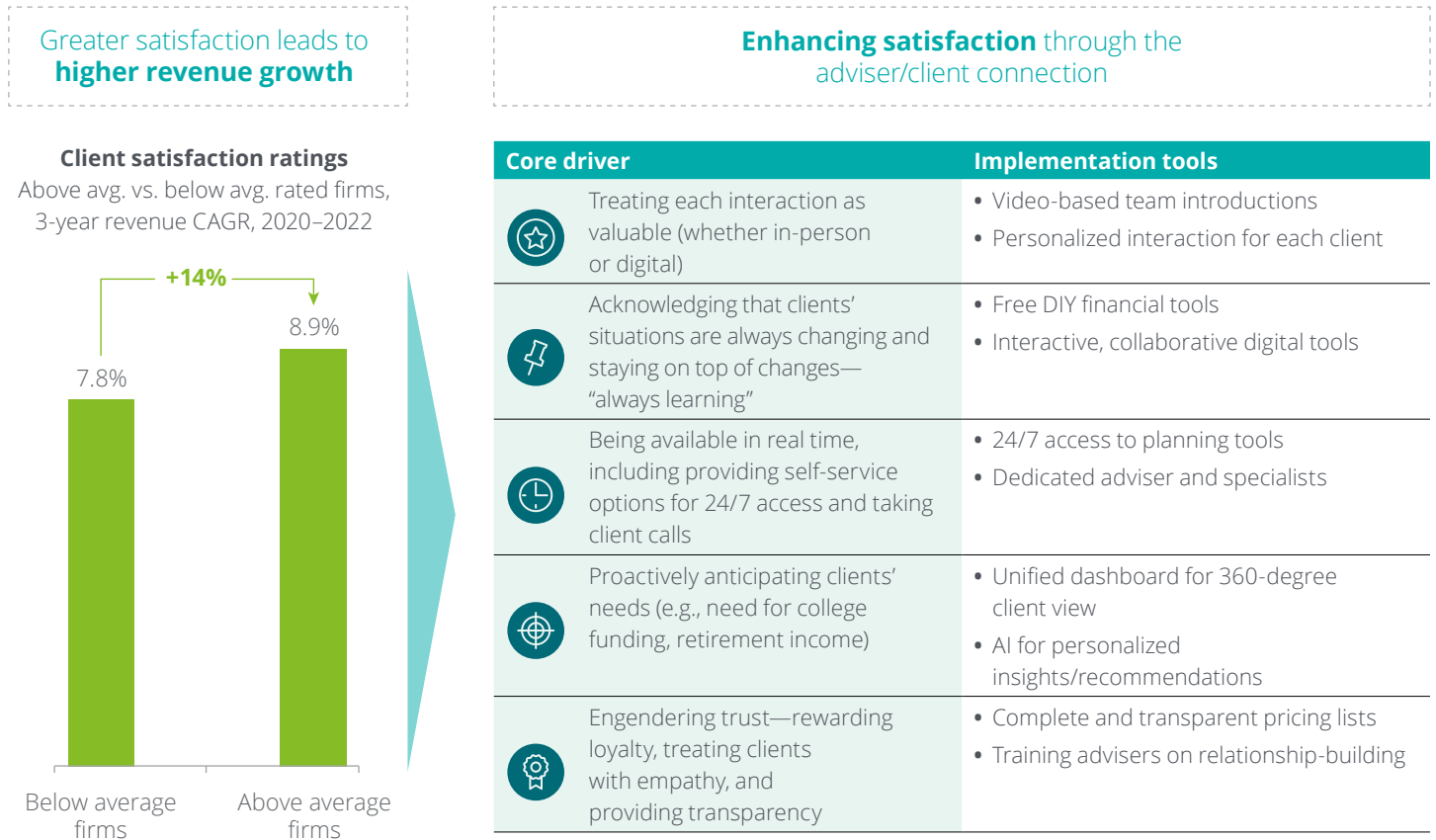
Analyst note: A primary provider is defined as the firm that a household uses to manage, trade, and/or custody the largest portion of its assets. Data represents households with investable assets of greater than \$500,000.

Sources: MarketCast; Cerulli Associates

- Banking clients are the most likely to follow through on their preference for having all financial needs in one place, though there are significant gaps between preference and action.
- Private bank clients (43%), among the most affluent clients and with a variety of different assets and income streams, express the largest preference-to-action gap at 21 points while deposit bank customers (44%), with typically lower levels of financial complexity, produce the smallest gap at just 7 points.

Serving as clients' single source for financial solutions and advice creates a high level of service and trust, which is invaluable for growth. Not only will retention rates be higher, but satisfied clients are more likely to recommend their advisers to peers, potentially increasing the client base without proportional increases in marketing costs.

Figure 5. Drivers of client satisfaction⁹



Analyst note: A primary provider is defined as the firm that a household uses to manage, trade, and/or custody the largest portion of its assets. Data represents households with investable assets of greater than \$500,000.

Sources: MarketCast; Cerulli Associates

2.3 Opportunity exists to pull in wealth management clients from incumbent players

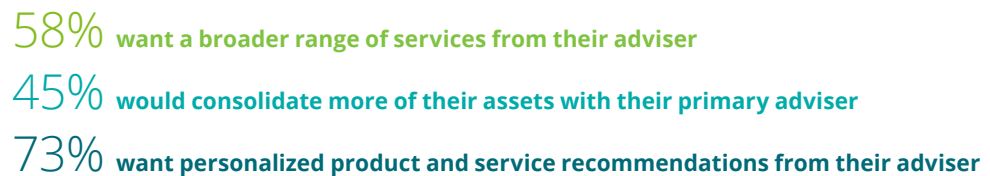
Despite the earlier discussed disadvantages that regional banks suffer versus large banks in the wealth management space, there still is an opportunity to draw clients away from the more established entities. Winning client market share here requires regional banks to take advantage of the discontent that wealth management clients currently feel with their existing services and also lean into their own unique strengths.

Upon examining the frustration faced when dealing with larger providers, one finds “cookie-cutter” offerings to be an issue. Even though they have more resources at their disposal, large banks tend to provide more basic template solutions to mass affluent clients, with customized plans generally reserved for those higher up on the client wealth tier. Additionally, white-glove customer service is generally absent at this level, with access to advisers and recommendations more limited in scope. This combination creates a subpar experience that often fails to meet customer expectations.

Regional banks can capitalize on this by utilizing the inherent advantages that come with their size. Chief among these is the ability to foster closer client relationships. Due to their focus on the mass affluent market, advisers at regional banks are not only able to provide more direct attention to mass affluent clients but also can build closer connections to these individuals’ communities, which may both strengthen relationships and attract new clients. In terms of meeting client needs, the smaller size of regional banks lets them operate with more agility than their larger counterparts, letting them potentially pivot strategies more quickly and offer new, innovative products faster than the competition. This could help avoid the pitfalls of providing generic services and make mass affluent clients feel like their wealth provider is proactive in addressing their needs.

Figure 6. Investor needs and desire to switch providers¹⁰

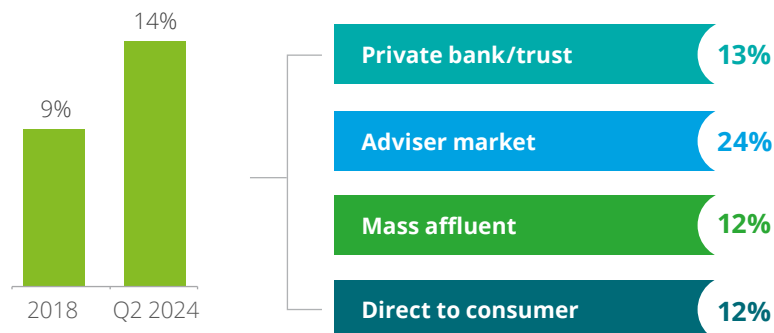
Investors appear willing to expand the scope of their advice relationship...



...and appear more willing to find a new provider to deliver against their needs

Investors who plan to switch some/all of their business from their primary adviser

Self-reported, %, 2018–Q2 2024



3. What should regional banks consider as they shift focus toward growing their wealth management business?

Rethink the wealth management proposition

Based on the opportunities for regional banks to become core advisers to their key customers, the benefits of growing their wealth management businesses are not only worthwhile, but necessary. However, regional banks need to rethink their business propositions to drive greater success, while keeping in mind the following guiding principles outlined in figure 7.

Figure 7. Framework for growing a wealth management practice

Key pillars	Description
Take a targeted approach to acquiring new customers	Target specific existing wealth management customers and specific noncustomer target markets via strategic propositions and product mix, resulting in deeper share of wallet and advisory relationship growth over time, as opposed to looking broadly outside of current banking clients.
Focus on holistic customer financial goals	Consider holistic customer behavior, needs, and financial goals to own more of the client relationship, including banking and wealth offerings, and provide new services based on customer demand.
Develop product offering and sequencing	Sequence products strategically based on understanding of target segments across existing and new customers and propensity of members to switch banking relationships. Cross-sell across banking and wealth to drive profitability. Consider capital planning, including multi-year CapEx/OpEx forecasts to manage implementation costs.
Create a strategic technology architecture design	Make intentional decisions on wealth management technology enablers across the stack, including critical experience layer and interoperability capabilities. Define next-gen architecture principles to achieve enterprise scalability and drive innovation in wealth management solutions. Determine whether to develop solutions in-house or outsource.

3.1 Assess wealth management delivery models that will make the economics work along with driving growth

Considering the client demographics that regional banks aim to serve and the products and services they offer, an appropriate service delivery model can be selected to ensure economic feasibility and drive growth.

Figure 8. Wealth management delivery models

	Description	Strategic rationale	Potential economic benefit	Risks
Commercial-led/wealth management enterprise partnership for high-net-worth individuals	<ul style="list-style-type: none"> • Supports the commercial banking strategy • Focuses on business owners and entrepreneurs in the high-net-worth category • Requires a joint commercial/wealth management coverage model, specific segment expertise, and support through the use of digital tools to differentiate 	<ul style="list-style-type: none"> • Alignment with C&I segment as the priority of the commercial bank • Well suited for banks with a competitive edge in commercial and wealth management/trust capabilities and expertise • Proactively targets synergies between commercial and wealth management business 	<ul style="list-style-type: none"> • Higher revenue per customer 	<ul style="list-style-type: none"> • Less focus on attractive mass affluent segment
Hybrid wealth management offering for mass affluent individuals	<ul style="list-style-type: none"> • Creates a hybrid offering combining in-person reps, call center, and digital proposition • Focuses on mass affluent investors • Differentiates with digital experience • Proactively manages synergies between retail and wealth 	<ul style="list-style-type: none"> • Retains the investment business of retail banking's most profitable customers: mass affluent • Profitably serves high-value retail customers through a lower cost-to-serve wealth model (e.g., protect the mass affluent retail business) • Acquisition of a younger, urban customer base 	<ul style="list-style-type: none"> • Better servicing costs 	<ul style="list-style-type: none"> • Smaller presence of in-person support may be unappealing for mass affluent customers
Outsourced wealth management practice for mass affluent and mass market individuals	<ul style="list-style-type: none"> • Outsources wealth management operations to independent broker-dealer (e.g., LPL, Osaic) • Focuses on a branch adviser-centric model • Differentiates based on the relationship the customer has with the adviser 	<ul style="list-style-type: none"> • Some regional banks lack the scale or management attention to make the wealth business profitable • Minimizes investment into operational/technology capabilities • Maintains customer relationship and branding at the bank • Supports cross-sell into other lines of business 	<ul style="list-style-type: none"> • Overhauls the fundamental cost structure, along with the regulatory and technology requirements, of the business 	<ul style="list-style-type: none"> • Fees paid to outsourcing lead to lower revenue potential

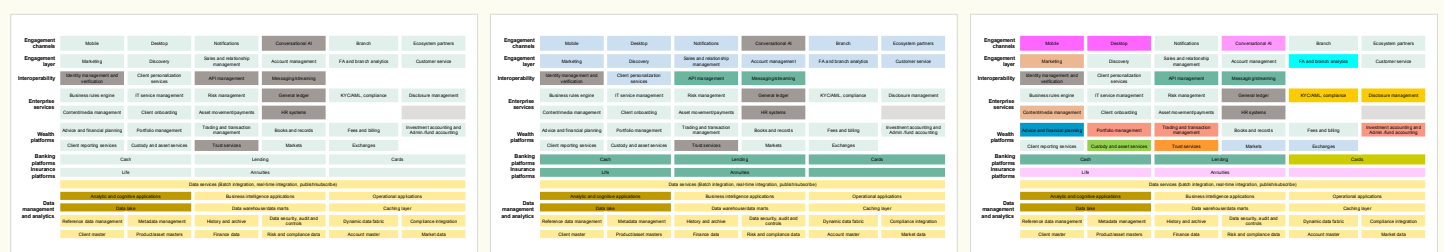
3.2 Upgrade/build technology platform to aid in efficiently scaling up and delivering the required products and services

Wealth managers are investing in a variety of different technology solutions based on their core requirements and architectures. Additionally, they are looking across a spectrum of options (e.g., all-in-one, best-of-breed) and vendors to employ the tech stack that most closely aligns with their overall firm strategy. Assuming that a firm doesn't outsource the entire wealth management practice, the most common tech stack options are:

- **Buy an all-in-one wealth platform, no specialized tools:** Buy a large platform, and then outsource the majority of the advisory and investment function to a large all-in-one provider (e.g., AssetMark, SEI, Investnet [PFM]) that will provide end-to-end capabilities and a high level of adviser and end-client support.

- **Buy an all-in-one wealth platform and CRM, add some specialized tools:** Buy a few large-scale vendor platforms (e.g., Investnet/Orion + Axioma/Box/Acquia/others) to aid in delivering proprietary investment advice.
- **Buy many specialized systems:** Buy many vendor platforms, with a high degree of specialization by capability. This is the model chosen by many larger registered investment providers.

Figure 9. Options for developing a wealth management delivery model



Buy an all-in-one wealth platform, no specialized tools

Buy one large-scale platform (e.g., Investnet, Orion) that offers end-to-end wealth capabilities

- Typically seen at smaller firms
- Low amount of specialization and opportunity for differentiation
- Growth over time is dependent on the vendor's product roadmap

Buy an all-in-one wealth platform and CRM, add some specialized tools

Buy a few large-scale platforms (e.g., Investnet + Salesforce + Axioma/Box/Acquia/others)

- Consistent with strategic design choices
- Proven examples implemented at medium-to-large-size firms (~\$2T+ AUM)
- Optionality on how much (or little) a firm wants to impact operations
- Flexibility to differentiate and evolve over time
- Ready-to-go integrations to many existing vendors

Buy many specialized systems

Buy many vendor platforms, with a high degree of specialization by capability

- Usually higher cost, complexity, and time to implement
- Robust design, development, and platform roadmap required
- Own the maintenance and support model

Cost, complexity, and time-to-market

4. Conclusion

The wealth management sector continues to be a critical growth area for regional banks despite the numerous challenges they face. Regional banks have struggled with scalability, technology integration, and resource constraints, which have hindered their ability to compete effectively with larger institutions. However, it is imperative for these firms to retain and expand their share of the attractive mass affluent customer segment. To achieve the expected results, regional banks should rethink their wealth management propositions by leveraging existing client relationships, expanding their product and service offerings, targeting niche markets, and forming strategic partnerships. Additionally, investing in technology platforms that align with their strategic goals will be crucial for efficient service delivery and scalability. By addressing these areas, regional banks can enhance their competitiveness and secure a stable, diversified revenue stream in the increasingly important wealth management sector.

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