Expense Reduction Analysts

Why Your Organization Needs a **Treasury Review**

Treasury fees, also referred to as cash management fees, represent the transaction costs that banks charge their customers to receive, send, process, and deposit incoming receipts and outgoing payments. Typical treasury fee services may include lockbox, wire transfers, ACH, and depository services. Although treasury fees are important to understand and monitor, many businesses lack time and resources for proper review.

Regarding treasury fees, several prospects and clients indicated that they were not incurring a material amount of fees, due to keeping compensating deposit balances with their bank.

Here is an example. The organization has monthly treasury fees of $5,000 and keeps $3,000,000 in average deposit balances. Historically, the banks have been providing an earnings credit, paying interest based on the deposit balances. Rates paid were generally between 25 and 50 basis points: .25%-.50%, through March.

Table 1: 2019 through March 2020 deposit, earnings credit and fee example

Description		2019 & 1st Quarter 2020
Deposit Balances	$	3,000,000
Earnings Credit Rate		0.500%
Earnings Credit	$	1,270.49
Monthly Service Fees	$	5,000.00
Earnings Credit	$	(1,270.49)
Fees Paid to the Bank	$	3,729.51

In the preceding example, the organization reduced fees paid to the bank from a potential $5,000 to $3,729.51, a 25% savings on fees paid to the bank. Historically, deposit balances can be a great way to reduce the actual fees paid to the bank.

Now, let's move to the current environment which has significantly altered this picture for two primary reasons:

1. Many organizations have experienced declines in incoming receipts, thereby lowering their deposit balances.
2. The rate environment has moved from a slow increase to a drastic decrease, causing the banks to lower the earnings credit rate. In many cases, the earnings credit rate has decreased to 0%. Some bankers indicate we may even move to a negative earnings credit rate environment, meaning the clients maintaining deposit balances may be assessed a fee to keep deposits in the bank.

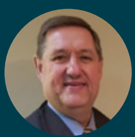
As a result, the picture may now represent the view shown in Table 2.

Table 2. Comparing the previous state to current state

Description	2019 & 1st Quarter 2020	April 2020 - ?	$ Change	% Change
Deposit Balances	$ 3,000,000	$ 2,000,000	$ (1,000,000)	-33%
Earnings Credit Rate	0.500%	0.000%		-0.500%
Earnings Credit	$ 1,270.49	$ -	$ (1,270.49)	-100%
Monthly Service Fees	$ 5,000.00	$ 5,000.00	$ -	$ -
Earnings Credit	$ (1,270.49)	$ -	$ (1,270.49)	-100%
Fees Paid to the Bank	$ 3,729.51	$ 5,000.00	$ 1,270.49	34%

The example organization just incurred a 34% increase in fees paid to their bank. Your organization can avoid this type of increase in fees and enhance your bottom line. Now is an ideal time for a treasury fee review.

About the Author



Rob Katzman

Rob Katzman has been with Expense Reduction Analysts (ERA) for more than 12 years. In that time, Rob has helped generate savings for various organizations in their treasury services, accounts payables, merchant card, small package freight, payroll processing, international shipping, FTL/LTL, uniform and telecommunication expense categories.

Before joining ERA, Rob had more than 20 years of business planning, revenue growth and cost containment experience in the financial services industry, including the last 12 years as a Regional CFO for Wachovia Bank (Wells Fargo) responsible for the Virginia, Maryland and Washington, D.C. markets. He has a B.S. in Accounting from the University of Tennessee and a MBA in Finance from Texas Christian University.

As a result of Rob's corporate experience, he established the Banking Service Practice within ERA and is currently serving as the Chair of the Practice Group. Since inception, the Banking Services Practice Group has generated an average savings of more than 30% for ERA clients.