

MODERN BANKING FOR MODERN LAWYERS



Understanding Digital Banking

In recent years, especially since the COVID-19 pandemic, digital transformation has become increasingly important for law firms to grow their businesses and provide their clients with the services they expect and do it at the speed of light. Banking is no exception, and banking customers now have access to “digital banks” that provide their customers with all the services of a traditional brick-and-mortar bank, only virtually.

The most obvious and significant benefit of digital banking is the convenience and the time and effort you’ll save. Another advantage of digital banks is that they’re able to provide these services at costs lower than traditional banks and often provide a wide array of other online financial services from investments to insurance, checking and savings accounts, mortgages, and everything in between.

As a busy lawyer running a busy practice, you have likely taken to using more cloud or web-based services than ever before. So, isn’t it time to consider doing the same for your banking needs? To answer this question, join us as we explore the benefits of digital banking for lawyers and how it can make your life easier and make managing your and your clients’ money more convenient.

What Is a Digital Bank?

A digital bank is a bank that provides the same services as a traditional brick-and-mortar bank or branch but does so remotely and online. Although fully digital banks have become more prevalent in recent years, you could argue that digital banking started as far back as the 1960s with the introduction of the humble ATM.

Since then, online banking became popular in the 1990s, and as new technologies became available, an increasing number of banking services have moved online. Digital banking now encompasses both online and mobile banking services.

Online Banking: With online banking, customers can access their bank’s range of services through its website. Here, you’ll be able to open accounts, apply for loans and other credit, check account balances, and pay bills.

Mobile Banking: With mobile banking, customers can access many of the same features as online banking but on a mobile device.

No matter your preferred channel, digital banking is extremely popular nowadays, with more people and businesses enjoying the range of services and benefits that digital banks offer.

Now, a few questions arise from the definition of a digital bank. The first is whether digital banks have brick-and-mortar locations at all. It’s an important question because many people still want personal relationships with their banks and, as such, prefer face-to-face interactions at a branch. Digital banks understand this important need and accommodate for that by creating the same relationships, with real humans, through remote means. When researching digital banks, be sure to ask how they recreate that important experience. Hopefully, you will hear that a personal banker is assigned to all your accounts and can easily be reached by phone or email.

Fortunately, if you want to find the middle ground and have personal interactions with familiar faces, many digital banks do have physical branches.

Another important question to ask is about trust accounts. If you are an attorney whose

practice area requires trust accounts, then you will want to confirm that the bank is able to handle trust accounts. You will want to make sure they are compliant with your state's trust account rules and regulations.

What Services Do Digital Banks Offer?

As mentioned earlier, digital banks typically offer the same range of services as traditional brick-and-mortar banks. Depending on the specific digital bank, both individual and business customers may be able to:

- Open personal and business checking accounts.
- Open savings, money market, certificate of deposit (CD), and individual retirement (IRA) accounts.
- Apply for business and residential mortgages.
- Apply for credit cards, auto loans, and home loans.
- Invest using several investment products.
- Receive real-time notifications of transactions.
- Electronic Funds Transfer
- Use virtual cards and other forms of cardless payments.
- Check balances online, pay bills, easily transfer monies.

Benefits of Digital Banking

Convenience

One of the main benefits of using digital banking is its convenience. This is because it gives you the ability to bank wherever you are and whenever you want. For example, when you're at the office, your computer is always available, and when you're at home, you always have your phone, or possibly

your laptop with you. This means you have 24/7 access to your banking services.

But convenience goes further than just having around-the-clock access to banking. It also allows you to save a lot of time and effort. And, as we all know, when it comes to law firms, time is money.

Simple and Intuitive

Another benefit of digital banking is that it's simple and intuitive to use. With just a few clicks you'll be able to see your account balances, make payments, download statements, and more.

Digital banking also makes it possible for you to apply for new accounts or products quickly and easily through online or mobile banking. Most digital banks let you do this by giving you the ability to upload all the necessary documents and fill out the application forms, if any, online or on your mobile device. Ultimately, you can get your firm's banking done more efficiently.

Services and Features

When your firm banks digitally, you'll have access to a wide range of features and services. Apart from face-to-face interactions, you'll have all the services and features that a traditional bank can offer. In many cases, digital banks also offer features that make financial planning, budgeting and investing easier. And because many digital banks have no – to – low physical branches, thus lower overhead and fewer expenses, they can often offer better interest rates and lower fees.

The most valuable features of digital banking are those that allow you to make daily banking tasks easier, quicker, and more efficient. So, while getting advice on investments or making budgeting easier is certainly important, the ability to make payments, view account balances, pay bills,

and transfer funds with just a few clicks are incredibly valuable.

Better Money Management

Nowadays, it's becoming increasingly important to stay on top of your finances. So, in simple terms, you must manage your personal and your firm's money and it's vital to know how much money is coming in and how much is going out. By doing so, you'll be able to budget and plan better and ensure that your cash flow is always where you want it to be. Luckily, digital banking makes this easier as it gives you an overview of your finances by just logging in to your online banking platform or mobile app.

Cost Savings

From a bank's perspective, their business operates just like any other enterprise: to turn a profit, expenses should be lower than their revenue. Obviously, when a bank has physical branches and many employees, expenses will be higher. In turn, those expenses can, will, and do, trickle down to customers.

Because digital banks have fewer, and in most cases, no physical branches (therefore fewer employees), their expenses are far lower. These cost savings are passed on to customers resulting in lower costs and lower fees for digitally-based banking services.

Security

Unfortunately, as technology becomes more advanced and popular, the risk of cybercrime and data breaches increases with it. Just to give you an idea, in 2020 there were 1001 cases of data breaches in the United States alone, and the average cost of data breaches for businesses was about \$3.33 million.

Fortunately, when it comes to security, financial services institutions make it one of their top priorities and, because of the

nature of their operations, digital banks consider it a fundamental part of their business. As a result, they're at the forefront of implementing the newest and most advanced technologies. This gives you peace of mind knowing that both your and your firm's money and financial information is safe.

Are There Any Drawbacks?

Sure, As is the case with many other products and services, there are some disadvantages to digital banking

Learning Curve

While digital banking is mostly simple and intuitive to use it could involve a small learning curve. Especially with specialty services like trust accounting. This can certainly seem challenging if you're not tech-savvy and not accustomed to banking in this way. Fortunately, it only takes a little time and effort to learn and master how online and mobile banking works. Most digital banks offer onboarding and training services that can help.

Downtime

Although digital banking has a significant advantage over traditional banking because it's not limited by branch operating operation hours, it could be affected by network downtime. It's simple: no internet, no banking. Fortunately, unscheduled outages are quite rare while banks typically notify you well in advance of scheduled outages which, in turn, allows you to plan around them.

Security

Although digital banks implement advanced security systems, threats will always remain. So, there's always the chance that your banking information can be hacked or that an employee can disclose your information because of social engineering or phishing

attacks. It is important that your law firm offer cybersecurity training to all attorneys and staff. Many issues can be addressed with proper training.

What About Fees?

As mentioned earlier, one of the main advantages of digital banks is that they're able to offer their services at lower costs compared to traditional banks. But how much can you save on fees?

Most traditional banks charge monthly account maintenance fees. According to a recent survey, the average monthly maintenance fee is about \$15 per month. With many digital banks, you'll pay far less than this, and in some cases, no maintenance fees at all

In contrast, many traditional banks allow you to eliminate the monthly maintenance fees if you maintain a minimum balance in the account while others require a minimum balance outright. Digital banks are less likely to have these requirements or their rates and figures will be lower.

Traditional banks may charge fees for other services and features which many digital banks charge less for, and in many cases, nothing at all. These services include:

- Overdraft and NSF fees.
- Incoming and outgoing ACH fees.
- Card replacements.
- Bank and additional checks.
- Paper statements.
- ATM transactions.
- Debit card transaction fees.

Keep in mind that these are just some examples of the fees you might save on, and they depend on the specific bank. For this reason, it's always better to look at the pricing structure of a bank when you're considering opening an account with a digital bank. One thing is certain, though,

you'll almost always end up paying less at a digital bank.

To find out more about digital banking or how technology can make managing your law practice easier and more efficient, visit the Nota by M&T website at www.trustnota.com.

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