

Minimum Balance






In the simulation, you will set a **Minimum Balance** for your Commercial Checking Accounts. Accounts falling below this balance will pay the Monthly Maintenance Fee, which generates fee income for your bank

As you raise your Minimum Balance, more accounts will fall below this minimum. This will create more fee income. At the same time, as you raise this minimum balance, you become less attractive to customers and prospects, leading to:

- Lower retention rates on existing customers
- Fewer new customers

The opposite is also true. As you lower your Minimum Balance, more accounts will meet the minimum balance. This will lower your fee income, yet you will become more attractive to customers and prospects, leading to:

- Higher retention rates on existing customers
- More new customers


Minimum Balance	Fee Income	Interest Expense	Retention Rate	Response Rate
				
As you increase your Minimum Balance...	...your fee income will increase...	your interest expense will drop...	...but your retention rate will fall....	...as will your response rate from new customers

In the simulation, “high” and “low” fees are relative to your competition. In other words, if you set a Minimum Balance of \$20,000 and your competition sets a Minimum Balance of \$30,000, your Minimum Balance is low and you will get more new customers and higher retention rates than expected. However, if you set your Minimum Balance at \$20,000 and your competition sets a Minimum Balance of \$12,000, your Minimum Balance is high and you will get fewer new customers and lower retention rates than expected.

More specifically, in attracting new checking accounts:

- If your Minimum Balance is within +/- 15% of the market average, there is no impact on new customers
- If your Minimum Balance is outside this +/- 15% range, your number of new customers will be adjusted by 15% of the difference between your Minimum Balance and the market average

The impact on retention rates is similar, but your existing customers are less sensitive than new customers:

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- If your Minimum Balance is within +/- 30% of the market average, there is no impact on your retention rates
 - If your Minimum Balance is outside this +/- 30% range, your retention rates will be adjusted by 20% of the difference between your Minimum Balance and the market average