



Buy This Smoking-Hot Innovative Banking Stock

Description

Investors don't typically associate the word innovation with big banks, but every so often, one of them comes out with an offering that makes us sit up and take notice. Yes, I am talking about a brilliant move **Scotiabank** ([TSX:BNS](#)) made a few days ago when it announced its new Ultimate Account offering to its customers.

The Ultimate Account offering is its new premium banking solution that offers customers even more value and rewards by addressing their saving, spending, and investing needs – all from one package.

Specifically, in addition to all the usual bells and whistles one might expect from a top tier banking account package, Scotiabank has done one better and is also offering 10 free equity trades at Scotia iTRADE in the first year and five free equity trades every year after that.

Given most normal trades cost around \$10 in fees, this offer is equal to \$300 in free trades over the first five years of a customer's relationship with Scotiabank.

I have not seen any of the big banks provide the free trade benefit and I know customers with a growing net worth would love to take advantage of that, especially after Charles Schwab in the U.S. came out with their aggressive \$0 trading fees offer in a major offensive play against its competitors.

Free trades attract sticky customers

What makes this offering so unique is that it ties up investing and everyday banking all in one offer. Usually, my experience with banks is that their retail offerings don't typically talk about investing and vice versa.

This genius idea from Scotiabank will appeal to the type of customer that is the dream of every bank. The kind that is concerned with building long-term wealth through investing, which is where the stickiness comes in to play. Customers that have multiple accounts and multiple products with banks are significantly more likely to stay with that bank, rather than shop around for a better deal.

Scotiabank has just made a big bet on wealth management with its recent acquisitions of independent wealth managers Jarislowsky Fraser and MD Financial, so this free trades move is completely aligned to their [strategy of augmenting wealth management revenues](#).

MD Financial change in leadership

Speaking of wealth management and MD Financial, which Scotiabank acquired a year ago, Brian Peters, MD Financial's CEO, recently announced his retirement. Typically, in banking circles, a senior level retirement in an acquired firm is an opportunity for a big bank to put their own candidate up for the job.

MD Financial was a fantastic purchase as it gives Scotiabank unparalleled access to physicians in Canada and the eventual integration of MD Financial into the Scotia family is bound to happen.

As such, I fully expected Scotiabank to announce that one of its own senior executives was taking over the MD Financial CEO role. However, to my surprise and delight, the bank announced a long-time legacy MD Financial executive to the top role.

Daniel Labonte, who served as the EVP of client engagement and experience at MD Financial, was elevated to the big seat, which tells me that Scotiabank really values the unique culture that MD Financial has built up over the last few decades.

This shrewd move by Scotiabank will ensure that physicians still see MD Financial as a "boutique" offering tailored to their needs and not an irrelevant part of a big boxy bank. In turn, keeping physicians as customers is fantastic for Scotiabank, given they represent the wealthiest 5% to 10% of Canada's population.

The final verdict

Scotiabank was trading at \$67 just two months ago and it has rallied 12% to claw its way back up to \$75 at the time of writing. But smart investors need not worry that they've missed the boat. Scotiabank is trading at the same level as three years ago when it didn't have the positive tailwinds of MD Financial or Jarislowsky Fraser boosting its income stream.

In turbulent times, there is a natural flight to quality, and I would put [Scotiabank stock in the super-high-quality category](#) stock for building long-term wealth. Smart investors will do well to accumulate shares in the \$70 to \$75 range and let the power of Scotiabank's innovation lead the stock steadily higher even in the face of a market downturn.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)

2. TSX:BNS (Bank Of Nova Scotia)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Bank Stocks
2. Investing

Date

2025/07/05

Date Created

2019/10/12

Author

rahimbhayani

default watermark

default watermark