



WHITE PAPER

Enhancing Financial Stability and Covering Employee Benefit Costs

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Executive Summary

The financial landscape for credit unions is constantly evolving, with increasing competition, regulatory pressures, and the ongoing challenge of managing employee benefits costs. Credit Union Benefit Prefunding Solutions offers an innovative way for credit unions to address these challenges by turning employee benefits from a financial burden into a strategic asset. This white paper aims to provide a comprehensive understanding of how Credit Union Benefit's Prefunding Program can help credit unions improve their financial stability, offer more sustainable employee benefits, and achieve long-term growth.



Introduction: The Challenge of Managing Employee Benefits

For many credit unions, employee benefits represent one of the largest operational expenses. Rising healthcare costs, regulatory changes, and the need to remain competitive in attracting top talent make it increasingly difficult to maintain a robust benefits program without compromising the credit union's financial health.

Traditional approaches to funding employee benefits often involve setting aside funds in low-yield investments or simply absorbing the costs as they occur, which can strain a credit union's budget and negatively impact net income. As a result, credit unions frequently face the challenge of balancing the need to offer competitive employee benefits with the need to maintain financial stability.

Credit Union Benefit Prefunding Solutions was established to address this challenge, providing a strategy that allows credit unions to proactively manage employee benefit expenses while improving their overall financial performance.

Understanding Prefunding: A Strategic Solution

What is Prefunding?

Prefunding is a financial strategy where credit unions set aside funds in advance to cover future employee benefits costs. These funds are invested, generating returns that can be used to offset the rising costs of employee benefits, effectively turning a liability into an asset. Prefunding offers several advantages, including improved cash flow, enhanced investment income, and increased financial predictability.



Why Credit Union Benefit's Prefunding Solution?

Credit Union Benefit's Prefunding Solution is specifically designed for credit unions, offering a program that:

- Is fully compliant with NCUA Regulation 701.19, ensuring adherence to regulatory guidelines.
- Provides investment opportunities with zero principal risk and zero market volatility.
- Offers flexible investment options tailored to the unique needs and goals of each credit union.

By leveraging the Credit Union Benefit Prefunding Program, credit unions can generate additional income to support their employee benefits program, reduce long-term costs, and improve financial ratios, making it an essential strategy for credit unions seeking financial stability and growth.

Research Findings

The Impact of Prefunding on Credit Unions

Credit Union Benefit's analysis of credit unions that have implemented the Prefunding Program shows significant improvements in financial performance and employee benefits offerings. Key findings include:

Increased Net Income

- Credit unions experienced an average increase of 50-60% over the course of the prefunding program, demonstrating the potential for significant financial growth.

Enhanced Employee Retention

- By offering employees "fully funded" benefits funded through the prefunding program, participating credit unions realize significant improvement in employee retention, reducing recruitment and training costs.

Better Financial Ratios

- Prefunding improved participating credit unions' return on assets (ROA) increased, capital adequacy ratios improved; strengthening their financial position and regulatory compliance.

Key Benefits of the Credit Union Benefit Prefunding Program

Financial Stability and Growth

- Prefunding allows credit unions to generate consistent investment income, reducing the impact of benefit costs on the bottom line.

Enhancing Employee Benefits

- Credit Union Benefit's program enables credit unions to offer more competitive and sustainable employee benefits. By generating investment income from prefunded assets, credit unions can afford to enhance their benefits packages, making them more attractive to current and potential employees.

Compliance and Peace of Mind

- One of the most significant advantages of the Credit Union Benefit Prefunding Program is its full compliance with NCUA regulations. This ensures that credit unions can participate in the program without fear of regulatory repercussions, providing peace of mind to CEOs, CFOs, and HR Directors.

Predictable Budgeting and Reduced Costs

- By prefunding employee benefits, credit unions can better manage their budget, as the income generated from investments helps offset rising benefits costs. This predictability is crucial for long-term financial planning, enabling credit unions to manage expenses more effectively.

Improved Financial Ratios

- The Credit Union Benefit Prefunding Program improves key financial ratios, making credit unions more attractive to regulators, potential members, and investors. By converting a liability into an asset, credit unions can present a stronger financial position, which is essential for growth and competitiveness.

Insight for CEOs and CFOs Considering Prefunding

Internal Questions to Ask:

- How much are we currently spending on employee benefits, and how can prefunding help reduce this cost?
- What are the potential investment returns we can expect from a prefunding program?
- How will prefunding improve our credit union's financial ratios and regulatory compliance?
- What are the risks associated with prefunding, and how does Credit Union Benefit address them?

Best Practice Recommendations for Implementing Prefunding

- **Start with a Financial Analysis:** Understand your current benefits costs and how prefunding can improve your financial performance.
- **Collaborate with an Experienced Partner:** Choose a partner like Credit Union Benefit that has experience working with credit unions and a proven track record of delivering results.
- **Ensure Regulatory Compliance:** Make sure the prefunding solution aligns with NCUA regulations to avoid any compliance issues.
- **Communicate with Your Team:** Engage your HR and finance teams early in the process to ensure a smooth transition and maximize the benefits of prefunding.



Making the Business Case for Credit Union Benefit Prefunding Solutions

Implementing the Prefunding Program from Credit Union Benefit is not just a financial tactic; it's a strategic investment in the future of your credit union. By transforming employee benefits into an income source, you can achieve the following:

- Enhance your credit union's financial ratios, making it more competitive within the industry.
- Strengthen your credit union's financial stability and growth potential.
- Offer superior healthcare and other employee benefits, which will aid in attracting and retaining top talent, including:
 - Employee Spot Bonuses
 - Life Insurance
 - Comprehensive CEO Benefits Packages
 - Health Insurance (including Health, Vision, and Dental)
 - 401(k) Matching and Plan Costs
 - Pensions
 - Board of Directors, Training and Meeting Costs
 - Employee Travel, Lodging, and Conference Fees
 - Employee Holiday Pay
 - Vacation, Sick and PTO Leave time
 - Employee Team Incentives
 - Long-Term Care





New Voya Research found that three out of four working Americans consider health benefits as a top priority over high salaries, as well as lower premiums and out of –pocket costs. (voya.com)

“The consistent trend of rising health care costs, coupled with the fact that these needs are anticipated to increase as one ages, is having a tangible effect on individuals,” said Nate Black, VP, Health Solutions Product at Voya Financial. “Our research also revealed more than half of employed Americans strongly or somewhat agree they would take a lower salary for employer contributions to health savings and spending accounts (59%), and better access to voluntary benefit offerings such as critical illness, hospital indemnity, disability income and accident insurance (54%). As a result, this data highlights that priorities are shifting regarding individuals’ broader health care needs, particularly when it comes to support from their employer. With open enrollment nearing, employers have a critical role to play helping their workforce leverage and maximize the full spectrum of their workplace benefits and savings offerings.” (voya.com)

In an environment where every dollar counts, the Credit Union Benefit Prefunding Program offers a practical, proven solution to one of the most significant financial challenges credit unions face today.

Conclusion: Why Credit Union Benefit is the Right Choice for Your Credit Union

Credit Union Benefit Prefunding Solutions offers a unique opportunity for credit unions to turn a traditional expense into a valuable financial asset. By prefunding your employee benefits, you can generate additional income, improve your financial stability, and offer enhanced benefits to your team, all while remaining fully compliant with NCUA regulations.

Next Steps

Allow us to demonstrate how pre-funding can significantly enhance your financial perspective and contribute to a more secure future for both your credit union and its employees.

Discover more and obtain your complimentary evaluation using your credit union's most recent NCUA data by scheduling a meeting with a CU Benefit Expert.



or click book now



About Credit Union Benefit

Credit Union Benefit, in partnership with Ten Talents Wealth Management, has been serving Credit Unions since 2013 with their retirement plans, executive benefits, and total benefit prefunding. In 2019, in partnership with NCUA, we created Total Benefit Prefunding, a program that allows credit unions to build an endowment-like strategy to help stem the tides of rising employee benefit costs. For more information visit www.cubenefit.com.



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