

# FAQS

## ABOUT TOTAL BENEFIT PREFUNDING

### Q. WHAT IS NCUA 701.19?

A. NCUA §701.19(c) stipulates that a federal credit union investing to fund an employee benefit plan obligation is not subject to the investment limitations of the Act and part §703 or, as applicable, part §704 of this chapter and may purchase an investment that would otherwise be impermissible if the investment is directly related to the federal credit union's obligation or potential obligation under the employee benefit plan, and the federal credit union holds the investment only for as long as it has an actual or potential obligation under the employee benefit plan.

### Q. WHAT IS TOTAL BENEFIT PREFUNDING?

A. Total Benefit Prefunding permits credit unions to invest excess liquidity into principal-protected alternative investment options and utilize the growth and interest to cover benefit costs for all employees. Through our unique program, our credit unions can offset expenses such as medical and non-medical insurance premiums (health, life, disability, vision, dental), retirement benefits (401(k), pension, 457(f), etc.), training/education for employees, and much more.

### Q. CAN STATE CHARTERED CREDIT UNIONS STILL BENEFIT FROM THIS, OR ONLY FEDERALLY CHARTERED?

A. State-chartered credit unions can also benefit from our program, as state-chartered credit unions are afforded the same opportunity through parity or approval from the state regulator.

### Q. WHAT ALL BENEFITS CAN BE PAID FOR FROM THIS PROGRAM'S EARNINGS?

A. All employee compensation other than Salary and Commission; this includes (but is not limited to) health, life, disability, vision, dental, and LTC insurance; vacation, sick, and PTO days; training, travel, and education; 401(k) match; executive benefits; and even arbitrage on loans and employee financial wellness programs.

### Q. IS THERE ANY WAY TOTAL BENEFIT PREFUNDING COULD NEGATIVELY IMPACT A CREDIT UNION?

A. The only way this could financially harm a credit union is through an early surrender or reversal of the plan. Due to the surrender charge in the first few years, you could experience a loss if you needed to surrender the entire contract early in the duration. We typically use laddered funding strategies to lessen this risk, purchasing multiple duration options on more than one contract, creating periodic no-penalty liquidity that can be either reinvested into the program or used for other needs of the credit union.

**Q. WHAT IS THE MAX LIMIT A CREDIT UNION CAN CONTRIBUTE TO THIS PLAN?**

A. Unlike life insurance-based plans under NCUA §701.19, there is no 25% Net Worth cap on this strategy. The limit on earnings in Total Benefit Prefunding is the amount of your credit union's annual benefit expenses, and future expenses averaged over a 5-year period.

**Q. WHAT IF OUR EARNINGS EXCEED EXPECTED EMPLOYEE BENEFIT EXPENSES?**

A. This presents a "good problem to have," as it means you now have additional funds to enhance your overall employee benefit package. You have numerous options for allocating any surplus earnings, including increasing the employer match for a 401(k) or similar employee retirement plan, providing paid-up or employer-supplemented health insurance products and services, establishing or enhancing executive compensation programs, offering board of director or employee training initiatives, and covering related travel expenses, to name just a few.

**Q. HOW LONG BEFORE OUR BENEFIT EXPENSES ARE FULLY FUNDED?**

A. Most credit unions fund over three to seven years, but it will depend on your credit union's customized funding plan.

**Q. HOW CAN WE COVER EMPLOYEE BENEFITS USING EARNINGS?**

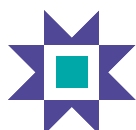
A. You have a couple of options: you can either pay these expenses directly from cash, which allows the products to keep accruing interest, or you can take distributions from the policy to cover those expenses. Additionally, you may use a combination of both methods. Provided it is properly documented, a credit union can utilize any available funds for these purposes.

**Q. HOW CAN MY CREDIT UNION GET STARTED WITH CU BENEFIT?**

A. To explore the CU Benefit options for your credit union:

- Schedule a 15-minute call to review a personalized evaluation based on your credit union's latest NCUA's latest data [here](#).
- Engaging with professionals experienced in TBPF can help tailor a solution that aligns with your credit union's goals and regulatory considerations.

Schedule a 15-minute call with CU Benefit  
to review our personalized evaluation [here](#).



**CREDIT  
UNION  
BENEFIT**

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