



Turning Lemons into Lemonade:

# Convert Underperforming Investments to Fund Employee Benefits

Revised NCUA Regulation 701.19 paved the way for credit unions to think differently about their investment strategies. The rule sanctions moving beyond traditional, low-yield investments like CDs, life insurance, and bonds into higher performing assets so long as the investment gains directly benefit all employees.

After extensive consultation with NCUA, Credit Union Benefit (CUB) devised various investment approaches based upon risk tolerance, number of employees, liquidity, investments coming due, etc. and has delivered customized solutions to credit unions across the country.

CUB's Total Benefit Prefunding Approach leverages higher performing investments like stocks, mutual funds, ETFs, and fixed index products to deliver growth that can eliminate a major annual cost for credit union—employee benefits. Depending on the state in which you reside, employee benefit costs rise approximately 4-9% per year. With CUB's Total Benefit Prefunding approach, credit unions can cover the costs and annual increases of one of their largest operating costs, dramatically increase net income and free-up capital for strategic priorities.

## CUB's Refreshing Benefits

- ▶ **Enhanced Returns**  
Generate 2-3X higher returns compared to conservative investments and increase net income.
- ▶ **Principal Protection Safeguard**  
Initial investment against market downturns with a fixed asset product strategy.
- ▶ **Coverage Against Loss**  
Liquidate underperforming investments and cover losses with upfront deposit bonuses.
- ▶ **Strategic Flexibility**  
Tailored investment strategy to meet your specific needs.
- ▶ **Compliant**  
CUB's Total Benefit Prefunding approach has passed every NCUA audit since its inception—30+ to date.



# A Step-by-Step Recipe for Converting Underperforming Bonds



CUB analyzes a credit union's existing bond portfolio to formulate a custom approach designed to increase investment returns. CUB works with credit union leadership to garner board of director's approval.



Bonds are sold through the standard bond broker networks, and the proceeds are redirected to the new investments. Investment carrier bonuses offset any losses if deposits are transacted in the current accounting period.



CUB provides on-going audit examination, reporting, and logistical support to ensure the credit union remains in 701.19 compliance. CUB actively coordinates with benefits partners to ensure investment gains don't exceed employee benefit costs at any point in time.

## Why Credit Unions Should Act

### ► Sustainable Employee Benefits

Fund employee benefits with higher investment returns, creating a "free" benefit offering that aids in talent recruitment and retention.

### ► Eliminate Significant Annual Costs

Once investment gains cover the cost and annual increases associated with employee benefit programs, benefits dollars can be earmarked for other initiatives.

### ► Financial Stability

Any bond liquidation losses are offset with investment carrier bonuses. CUB's investment approach ensures no risk to the principal with limited volatility.

### ► Board Confidence

CUB's clear and straightforward process is designed with transparency in mind. CUB is available for semi-annual or annual performance reviews to build trust with your board.

## Learn and Take Action

To learn more about CUB's Total Benefit Prefunding approach and its alignment with your goals, please contact:

### ► Tony Streeter

210-317-9060

[tony.streeter@totalbenefitprefunding.com](mailto:tony.streeter@totalbenefitprefunding.com)

