

TruStage™ Executive Benefit Solutions

Credit union financials in the new era



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Presented by



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Agenda

- Credit union financials
- Benefits pre-funding
- Charitable donation accounts
- Funding options



Economic Update Summary For 2025

1. Below trend economic growth in 2025, (1.0%)
2. Inflation remaining above target during the next 2 years
3. Unemployment rate rising to natural rate of 4.5% in 2025
4. Short-term interest rates falling 50 basis points in 2025

Meet Steve Rick

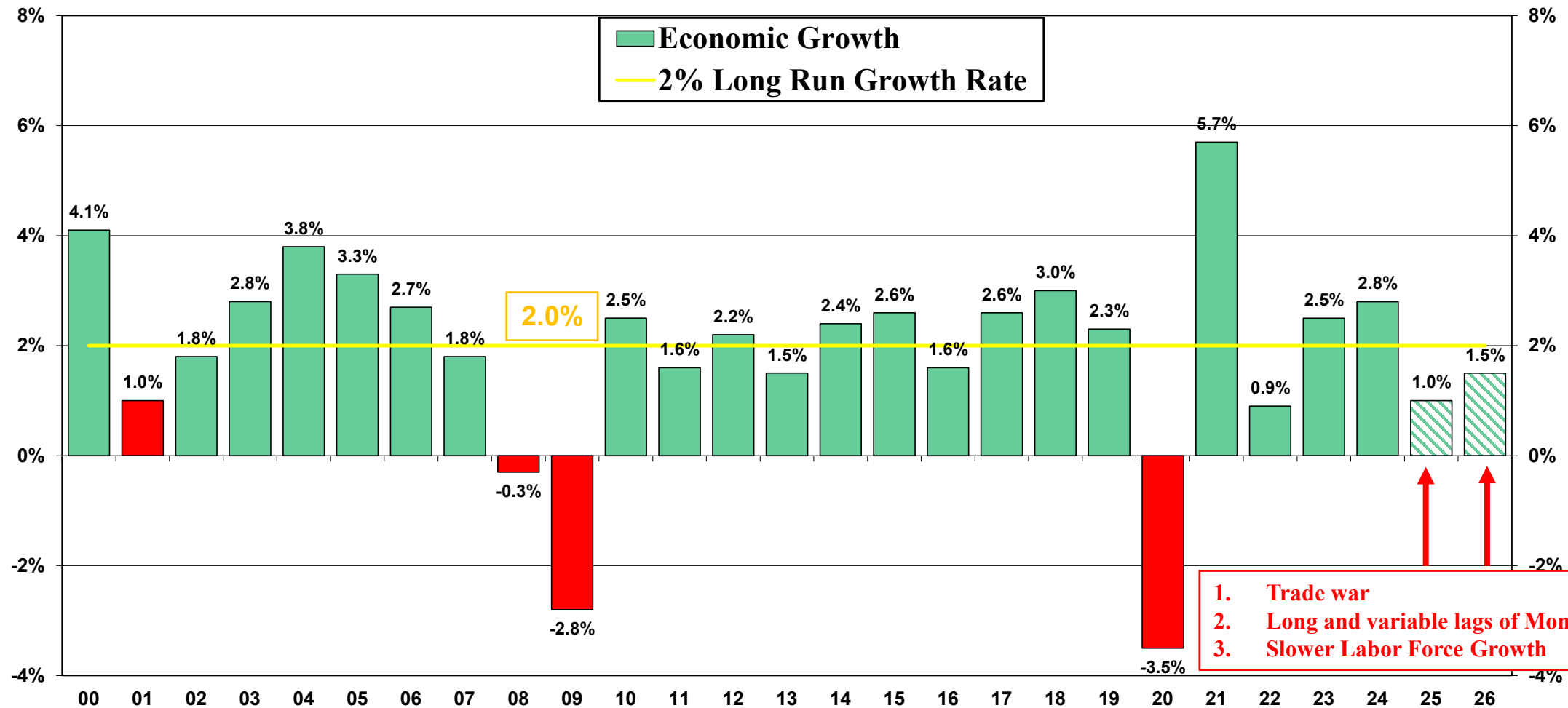


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TruStage – Economics

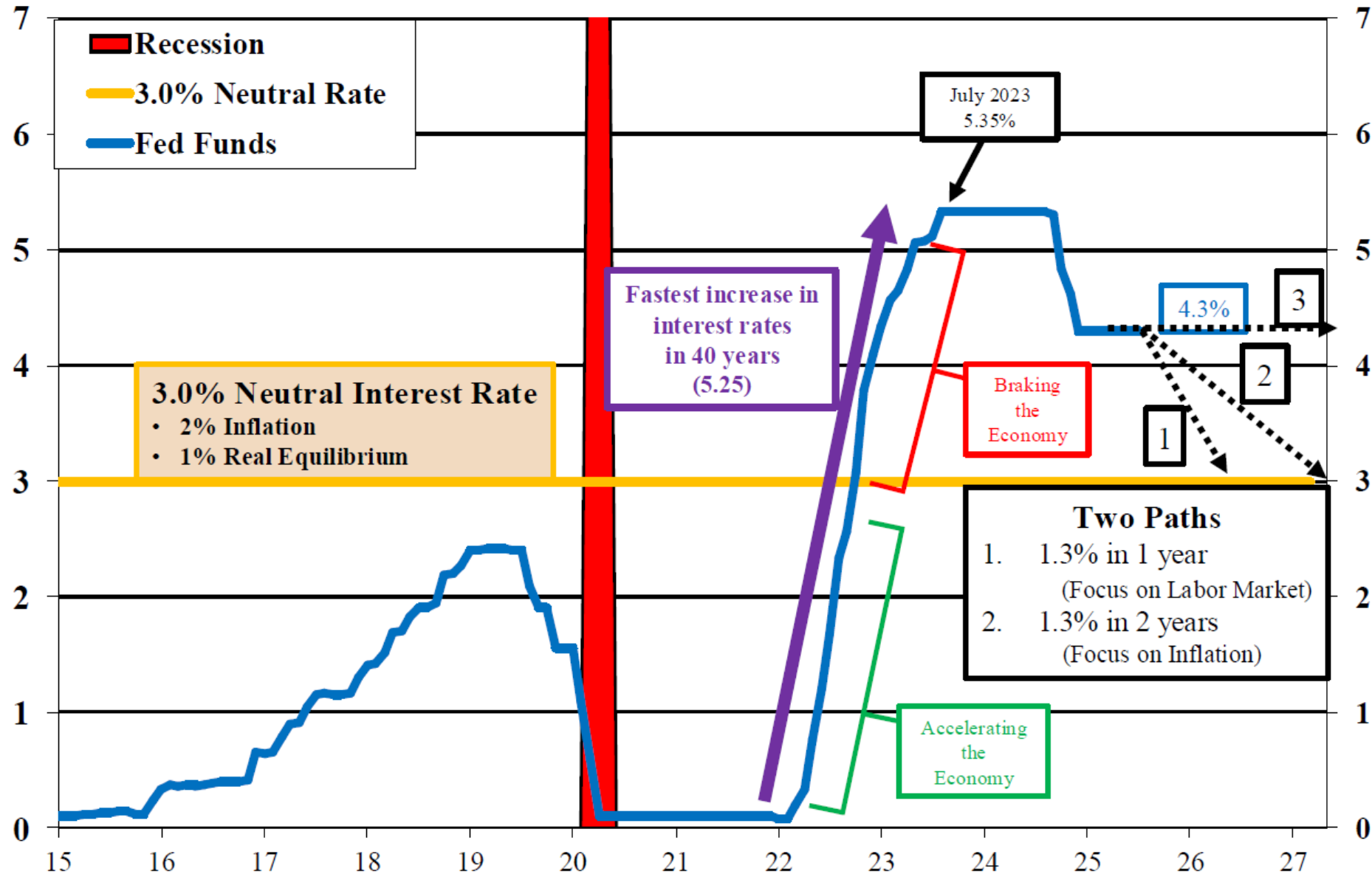
To access this report on the internet, go to
www.trustage.com/cu-trends.

Economic Growth Below Natural Growth Rate

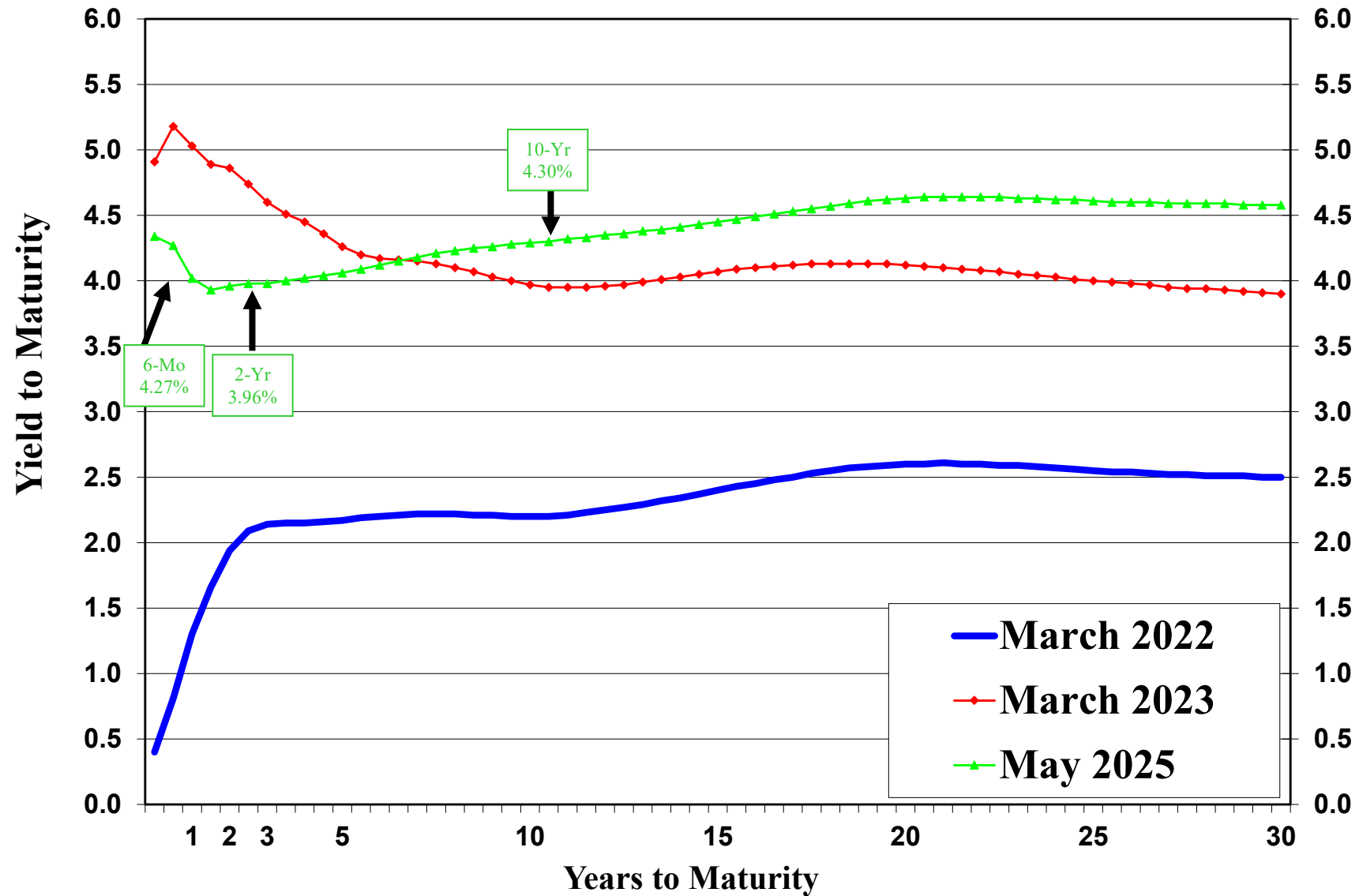
U.S. Economic Growth Rate



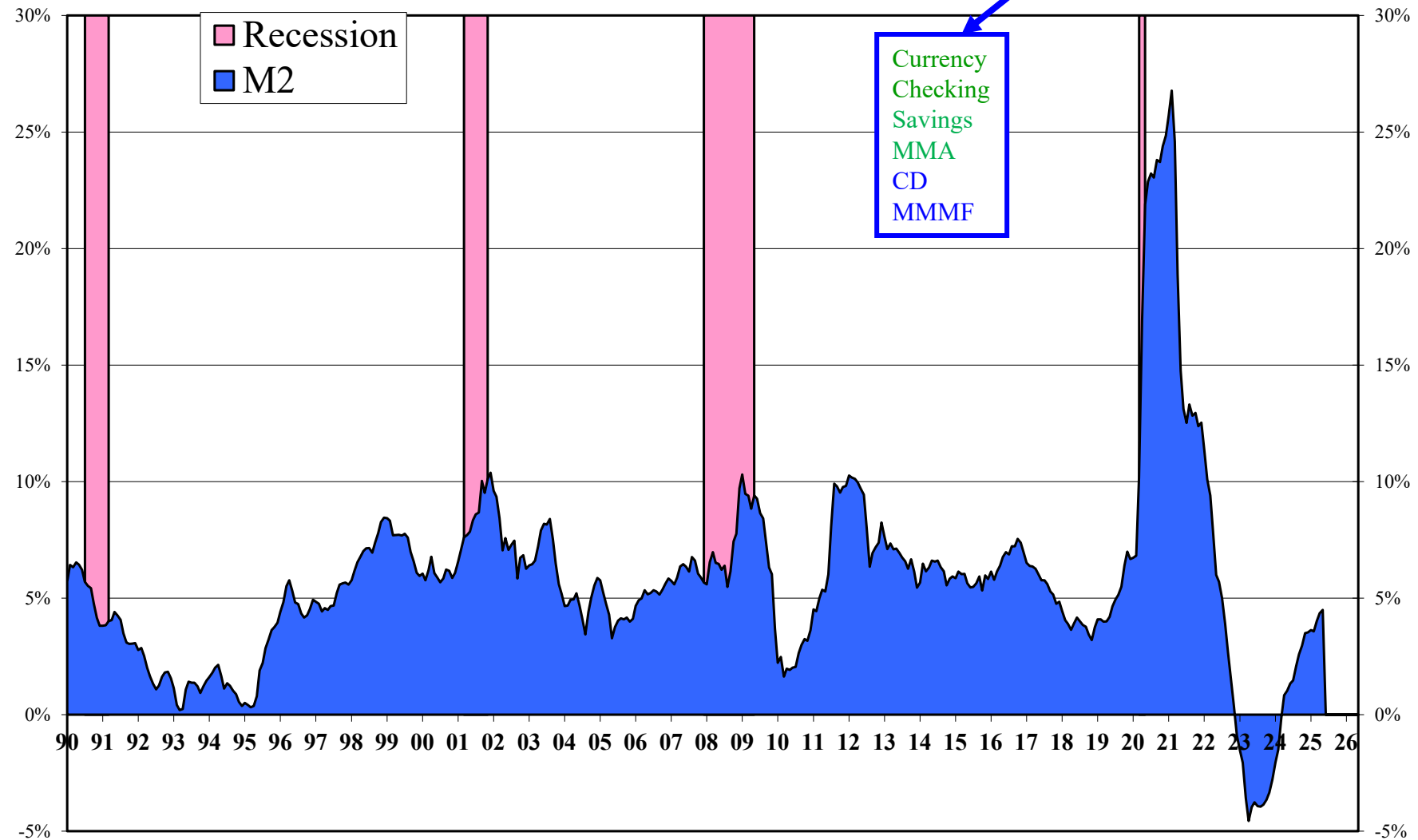
Fed Funds Interest Rate



Treasury Yield Curves



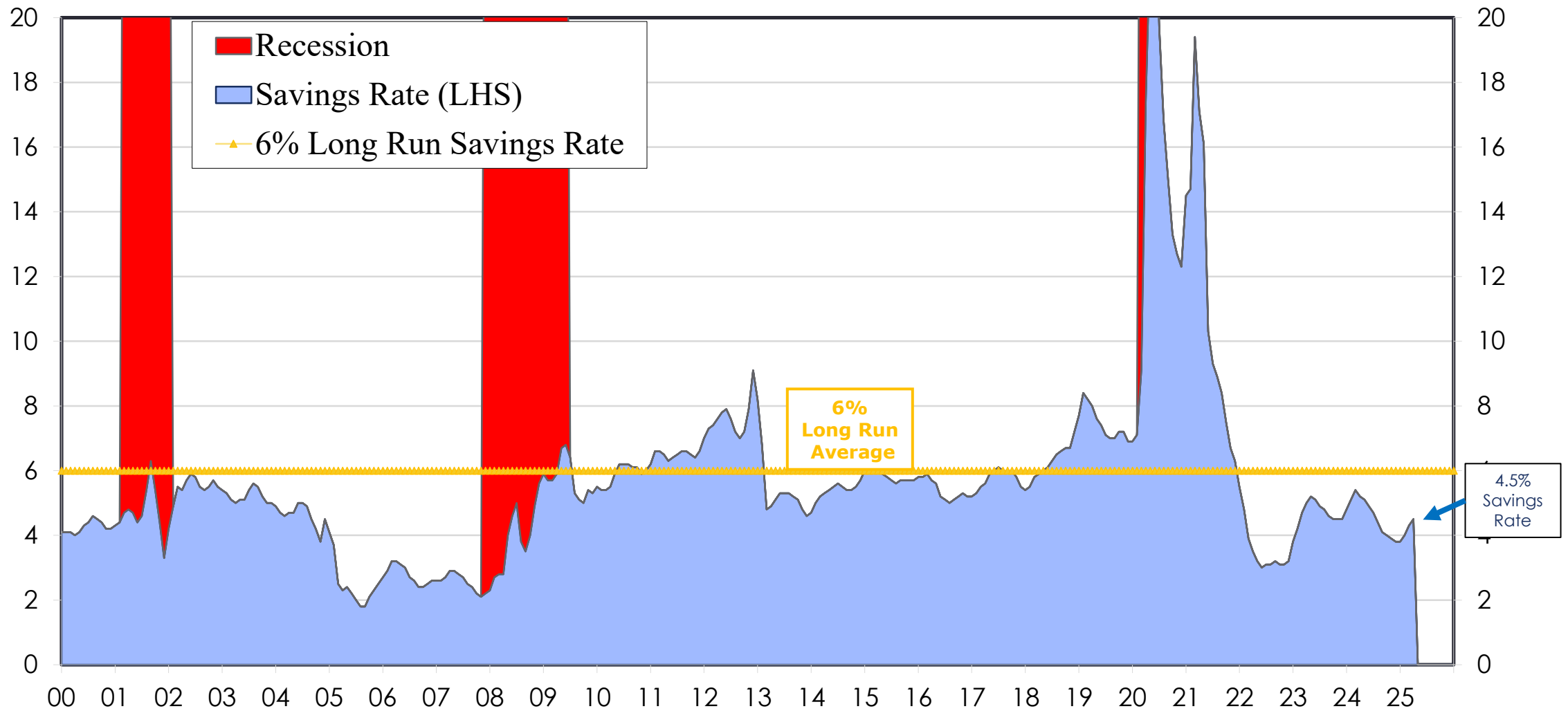
Money Supply Growth, M2



Source: Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/WM2NS> Accessed 8/20/2025

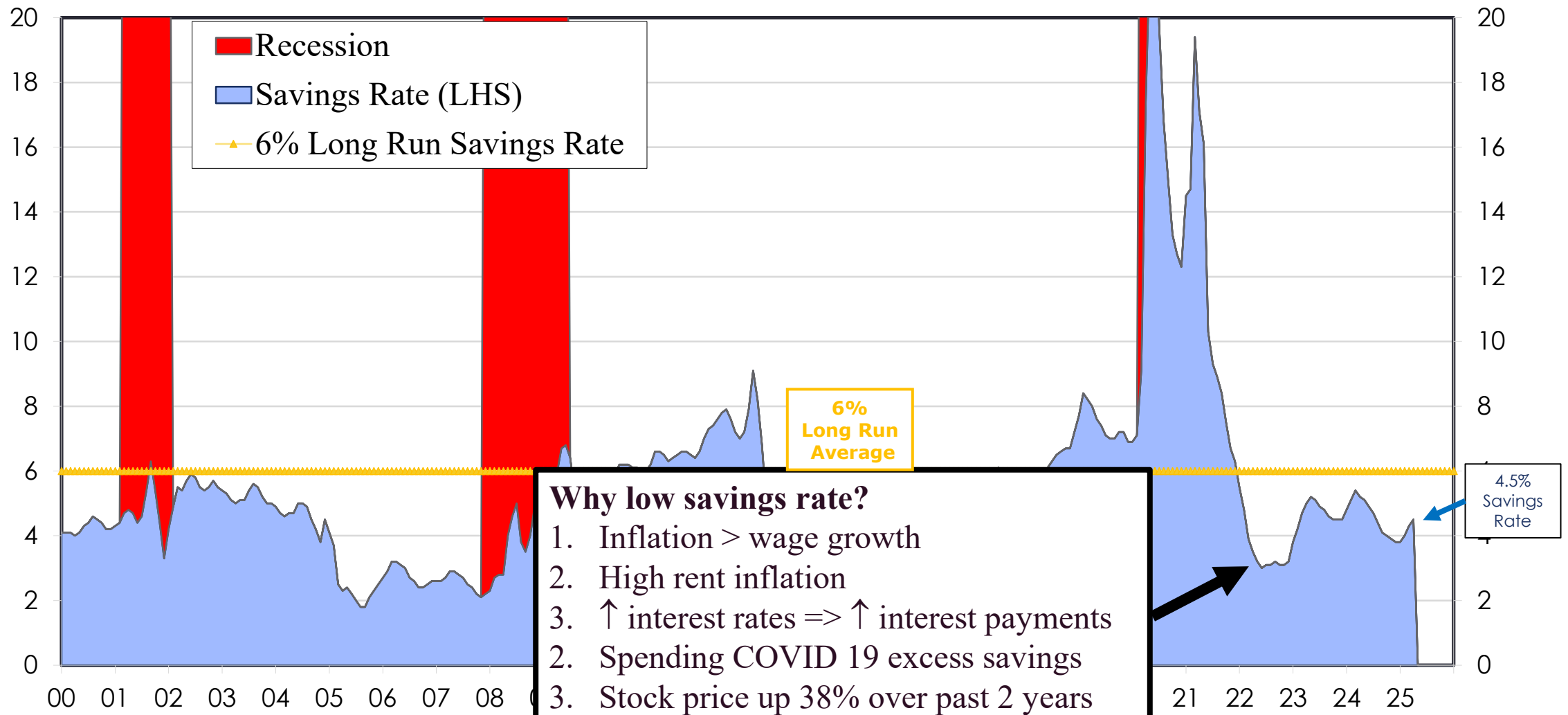
Personal Savings Rate

[3-month moving average (Personal Savings/DPI)]

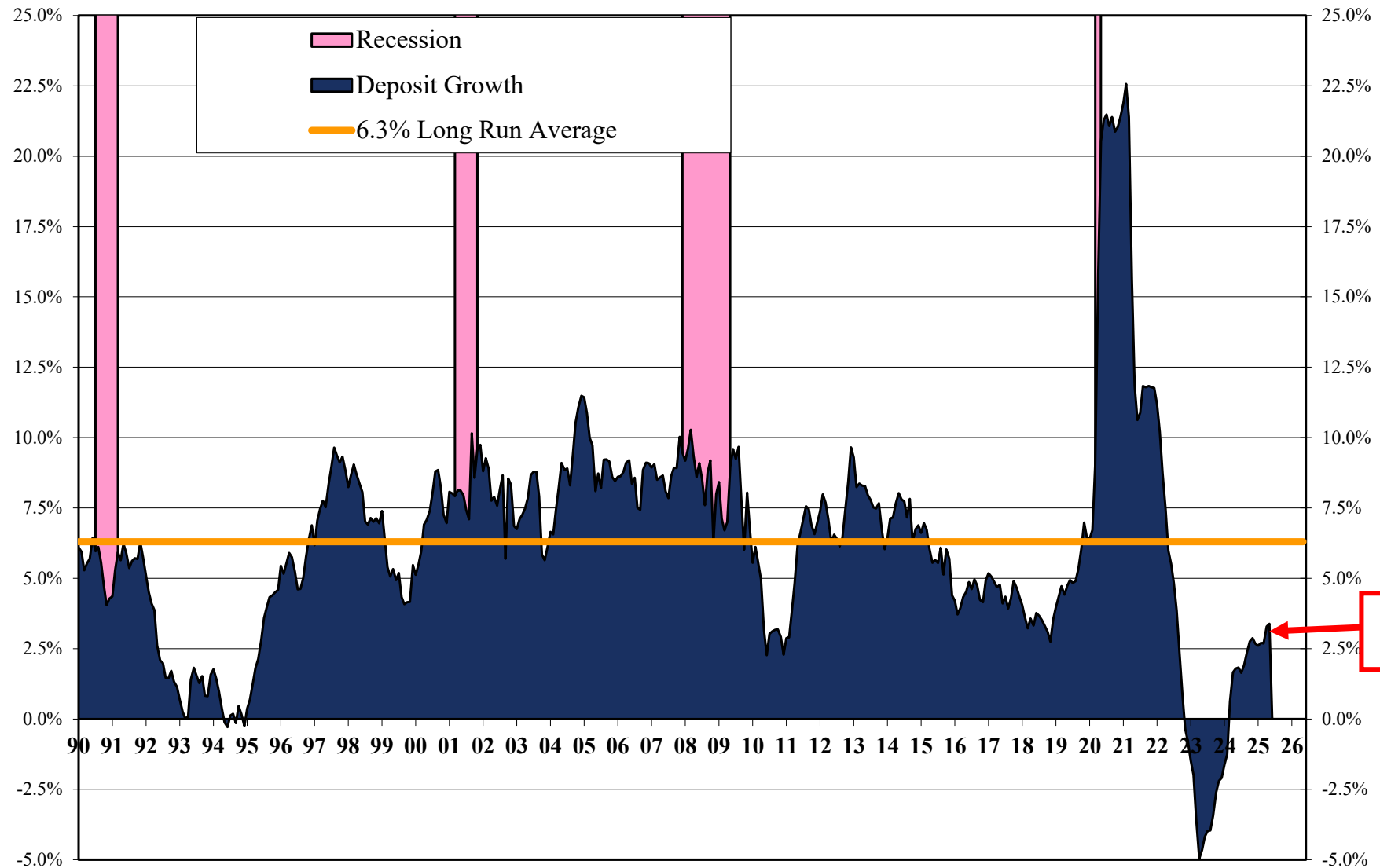


Personal Savings Rate

[3-month moving average (Personal Savings/DPI)]



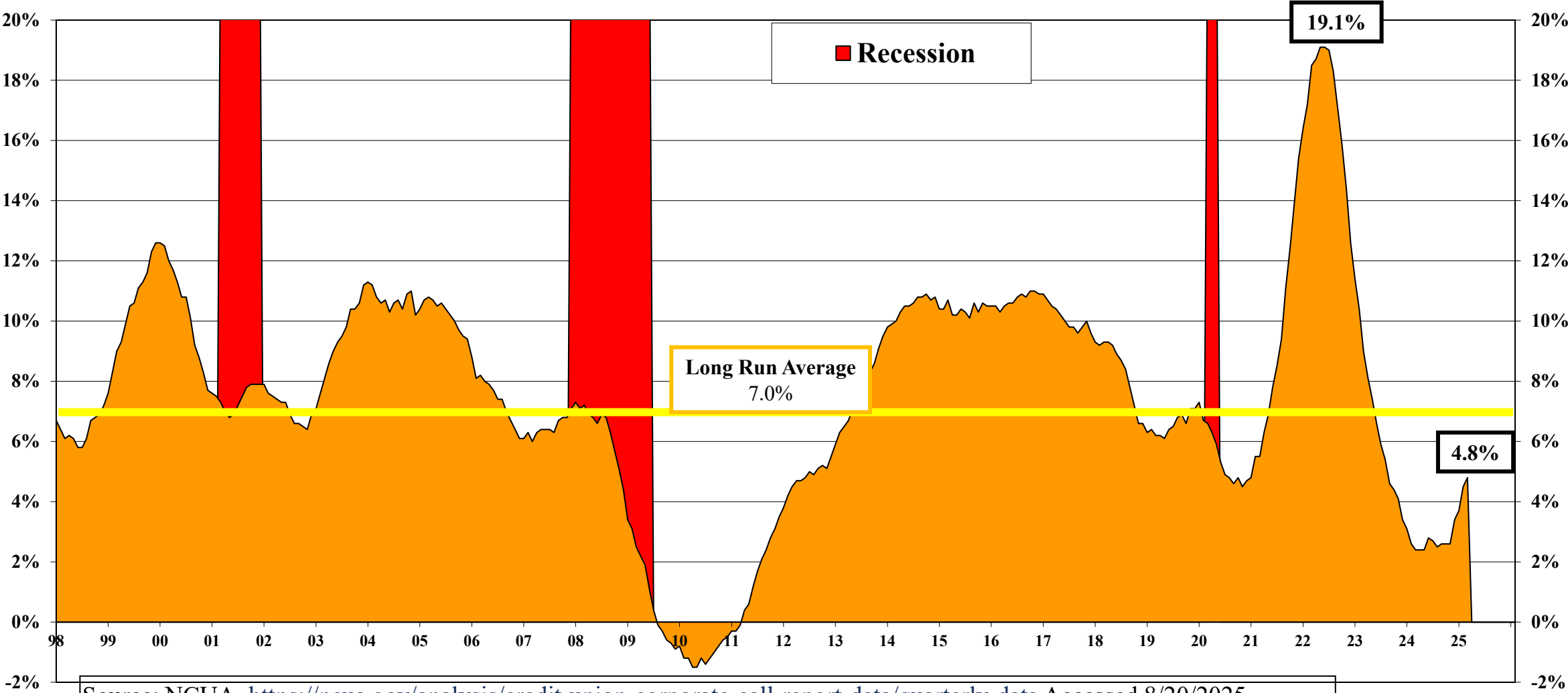
Bank Deposit Growth



Source: Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/DPSACBW027SBOG> Accessed 8/20/2025

Weak Credit Union Loan Growth

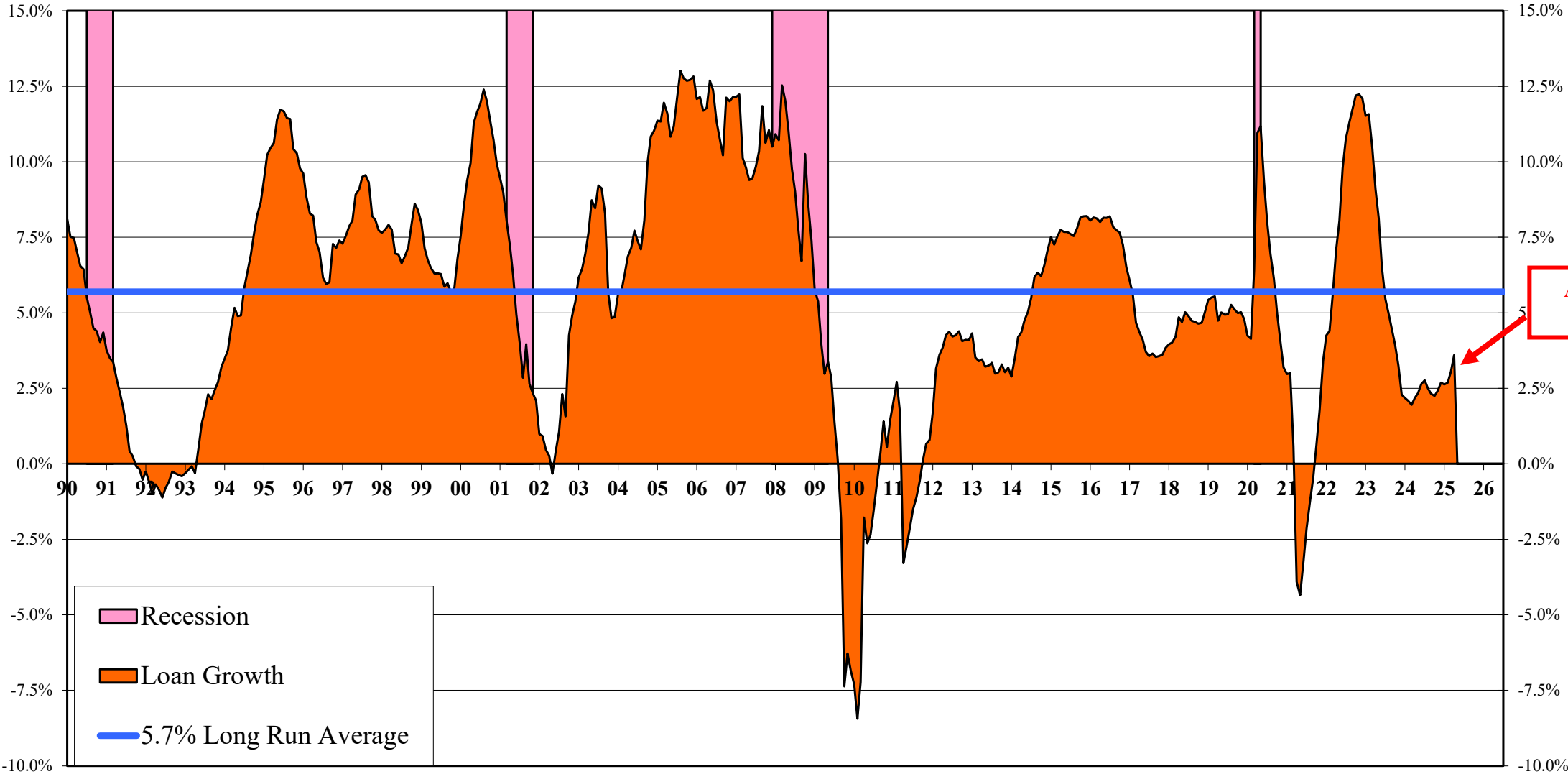
CU Loan Growth



Source: NCUA, <https://ncua.gov/analysis/credit-union-corporate-call-report-data/quarterly-data> Accessed 8/20/2025

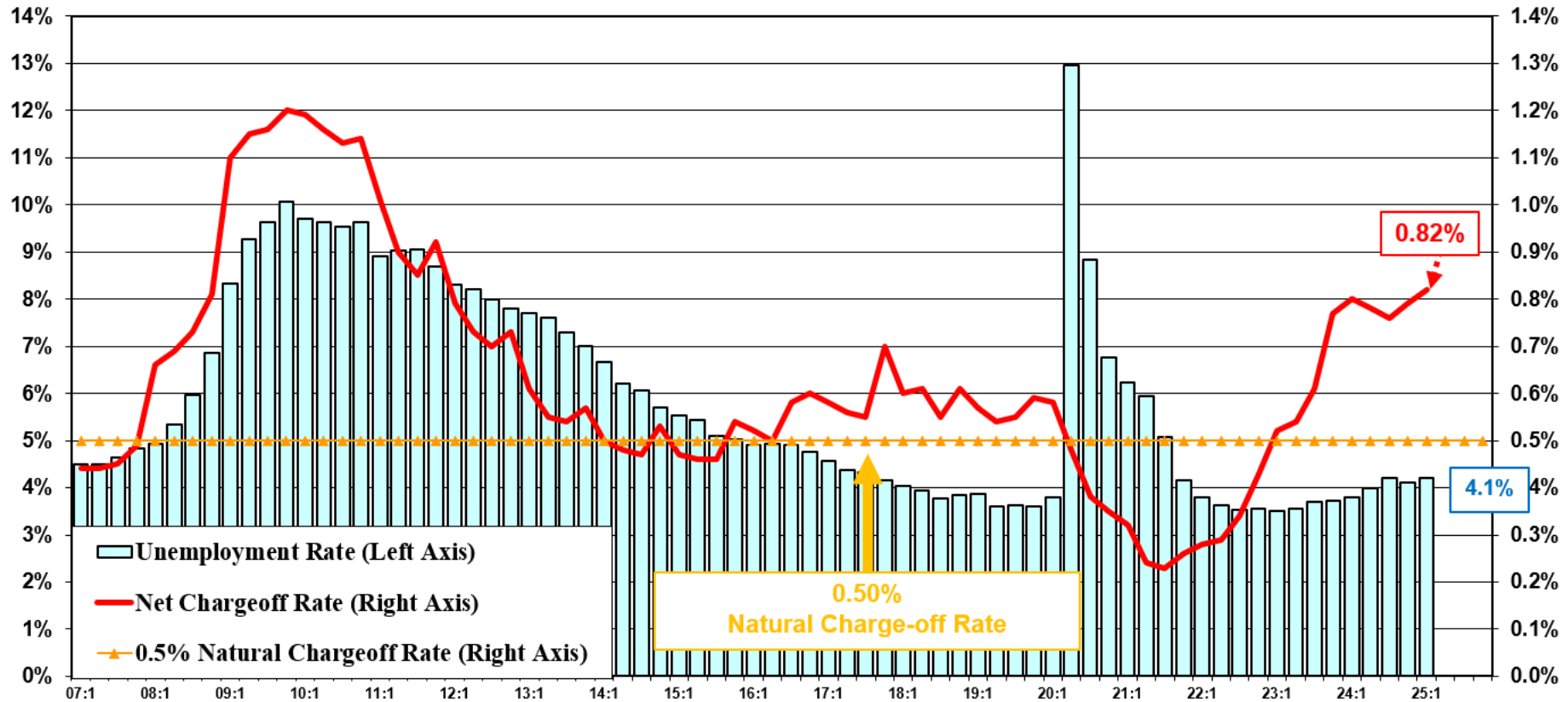
Bank Lending Growth

(Year over Year Percent Change)



April 2025
3.6%

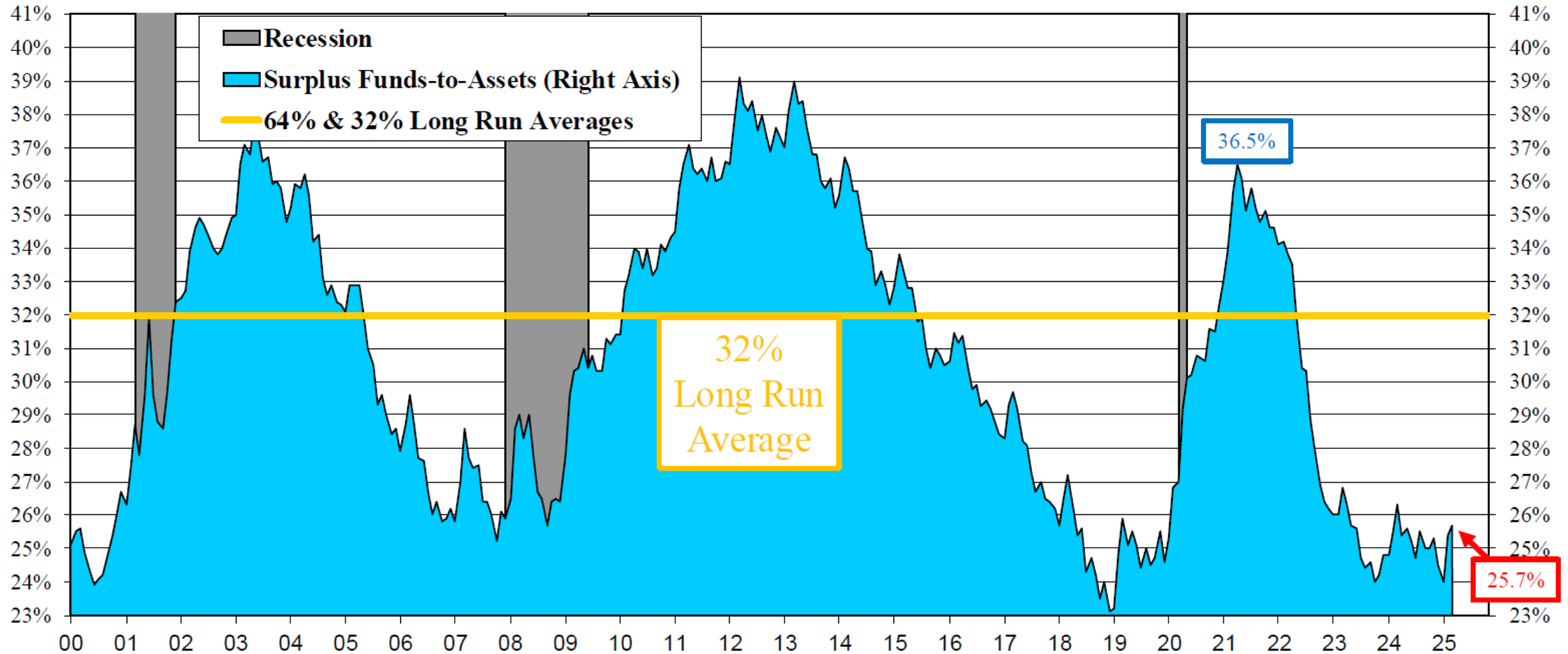
CU Net Chargeoff Rate Versus Unemployment Rate



1. Falling real wages (inflation > wage growth)
2. High rent inflation => tight budgets
3. Student loan payment resumption
4. Higher interest rates on credit card, HELOC, ARMs
5. Slow loan growth => denominator effect
6. High car insurance costs => drop collision coverage
7. Walk Away Auto Repos

Investments Are Low but Yields Are Rising

CU Surplus Funds (Cash + Investments)



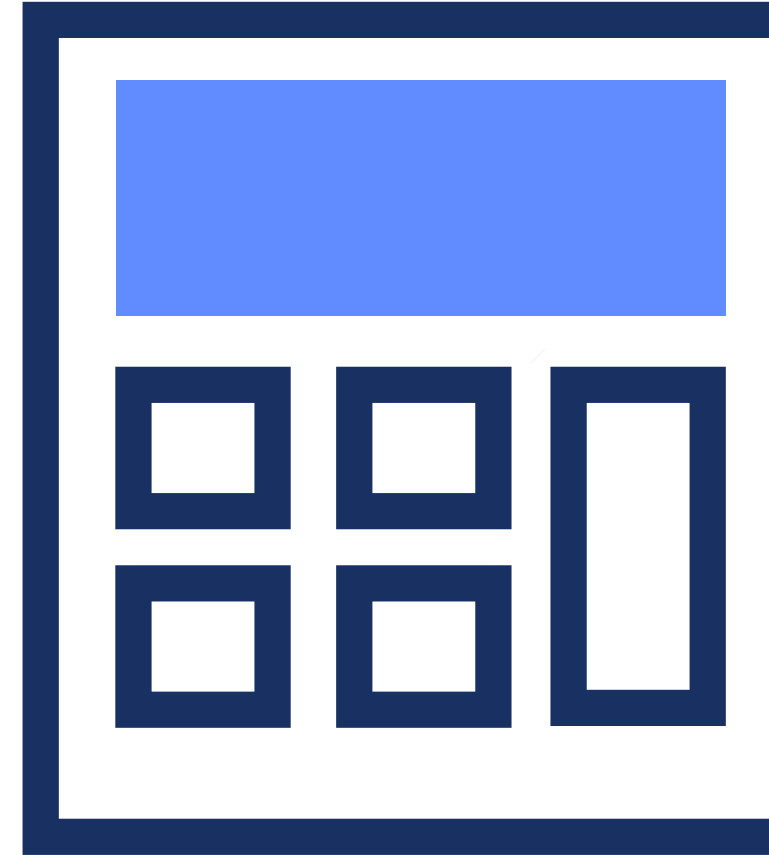
Current union market pains

- Pressure to remove/reduce fees
- Deposits likely to remain high
- Liquidity issues
- Interest rate impacts on housing/auto markets
- Stagnating mortgage volume and home values cut into mortgage-sale income
- Loan margins
- Returns on traditional permissible investments won't offset lost income



Income alternatives for credit unions

- Credit unions looking to **interest income**
- Options for **return potential** on investments
- National Credit Union Administration (NCUA) and states allow **alternative sources of income**
- Investments with **market-driven return potential**
- **Alternate accounting** methods



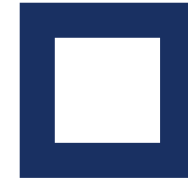
NCUA broadens investment options for specific purposes

Benefits pre-funding

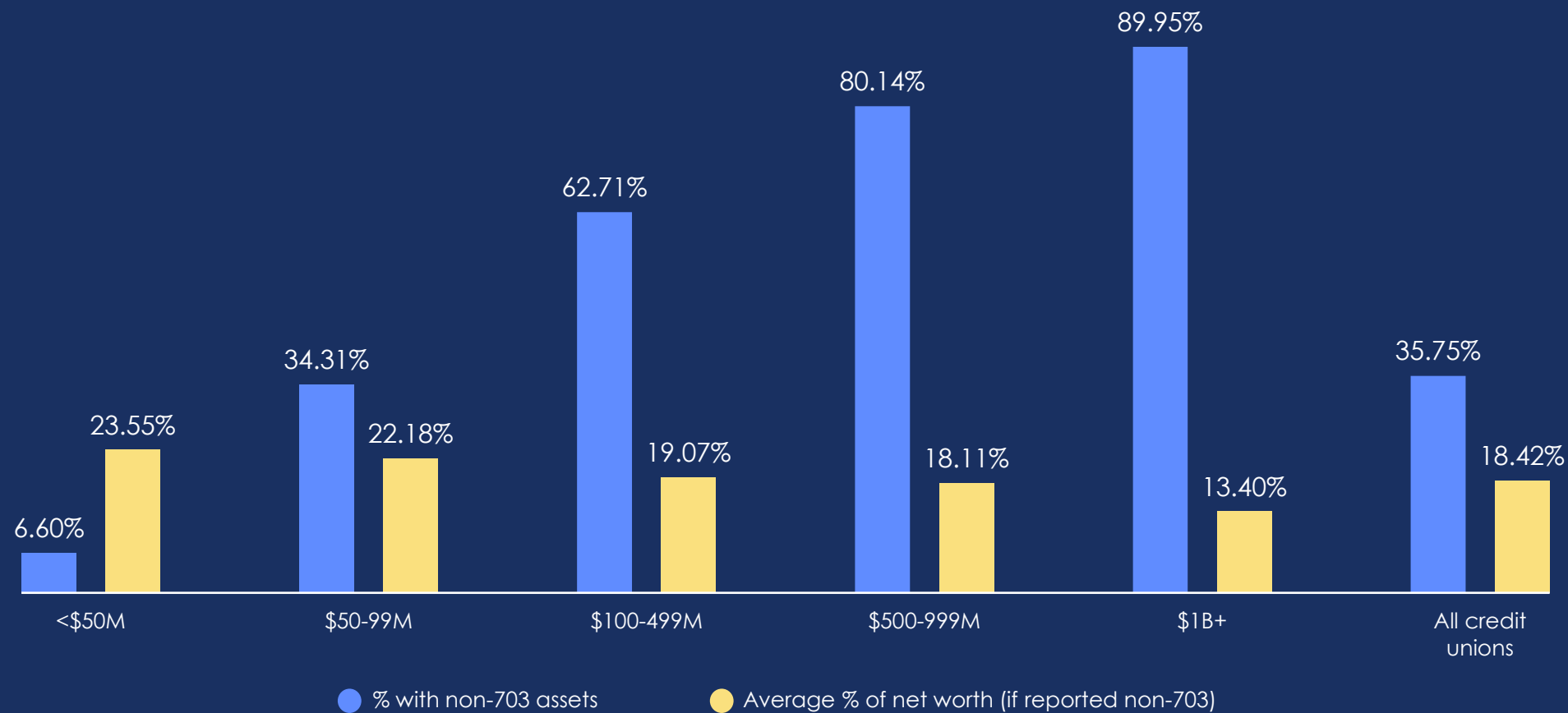
- **April 2003:** NCUA established §701.19 for **federally chartered** credit unions

Charitable donation accounts

- **December 2013:** NCUA established §721.3(b)(2) for **federally chartered** credit unions
- States have followed federal rules in most cases.



Concentration in non-703 investments¹



¹NCUA Call Report data, 2023, December 31

In-market since 1985¹

- Over \$4.9B assets under administration (AUA)
- More than 1250 credit unions and 4700 credit union executives serviced

¹ TruStage, Internal data, 2023, December 31

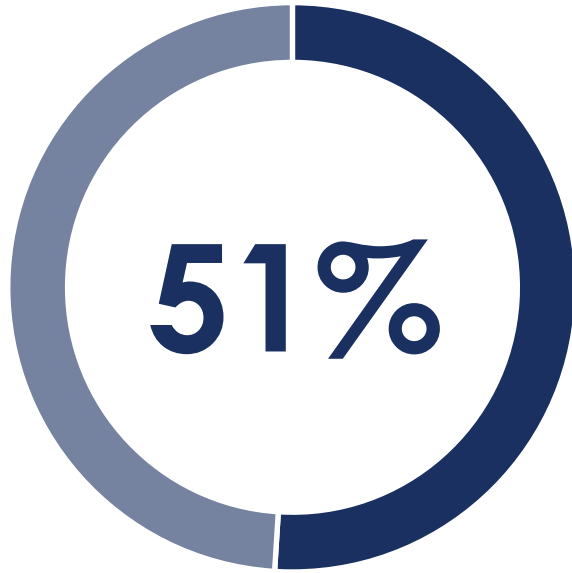




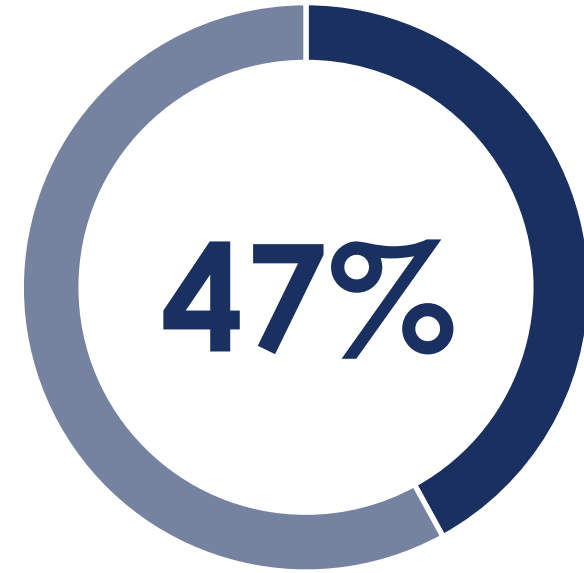
Benefits Pre-funding

- Funding must be tied to employee benefits expenses
- Cost of employee benefits continues to rise every year
- Desire to retain and recruit great talent
- Desire to retain leaders

Why benefits pre-funding?



Employee compensation and benefits expenses account for more than **51%** of credit union operating expenses.³



Health insurance premiums for employer-sponsored plans have risen **47%** in the last 10 years, including **7%** in the past year.⁴

³ National Credit Union Administration (NCUA), 5300 Call Report Data, 2023, December 31 ⁴ Kaiser Family Foundation, Employer Health Benefits 2023 Summary of Findings, 2023

Total Benefits Pre-funding (TBPF)

- The NCUA expanded investment options
- Helps **offsetting costs** for employee benefits obligations, including:
 - Employee health insurance
 - Life and disability insurance
 - 401(k) and pension plans
 - Executive benefits plans
- **Permissible investment options:**
 - Corporate-owned life insurance
 - Managed investment accounts
 - Structured products
 - Guaranteed income contracts (GICs)

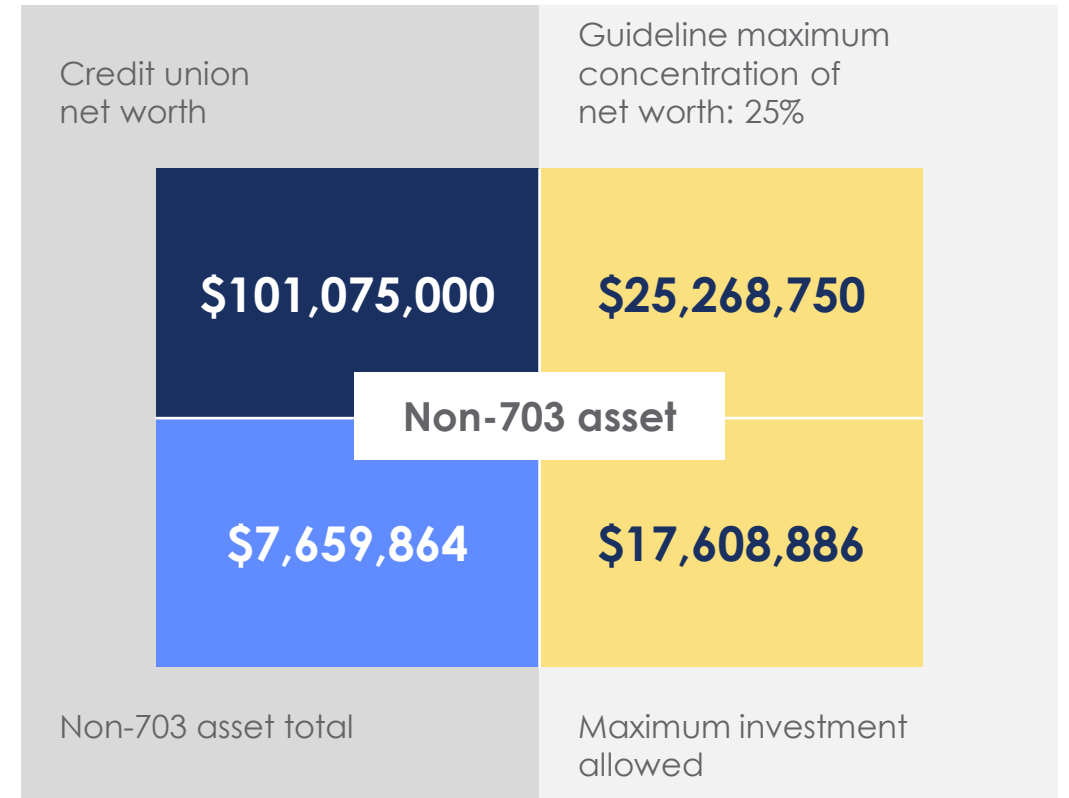


ABC credit union

Asset concentration analysis summary

Cash and investments < 1 year	\$236,967,236
Net worth	\$101,075,000
Threshold (total investment)	25%
Guideline amount	\$25,268,750
Assets not authorized under Part 703	\$7,659,864
Remaining threshold amount	\$17,608,886
Maximum investment allowed per issuer: 15% of net worth	\$15,161,250

This is an example for illustrative purposes only.



ABC credit union financial impact report

	Amount	Rate *	Year 1	Year 2	Year 3	Year 4	Year 5	Total
<u>Estimated Annualized Earnings</u>								
Current State	\$17,608,886	0.55%	\$96,311	\$96,838	\$97,367	\$97,900	\$98,435	\$486,851
Option 1								
TBPF	\$17,608,886	2.65%	\$466,635	\$479,001	\$491,695	\$504,725	\$518,100	\$2,460,156
Remainder	\$0	0.55%	\$0	\$0	\$0	\$0	\$0	\$0
Investment Portfolio	\$17,608,886	2.65%	\$466,635	\$479,001	\$491,695	\$504,725	\$518,100	\$2,460,156
Option 2								
TBPF	\$17,608,886	4.00%	\$704,355	\$732,530	\$761,831	\$792,304	\$823,996	\$3,815,016
Remainder	\$0	0.55%	\$0	\$0	\$0	\$0	\$0	\$0
Investment Portfolio	\$17,608,886	4.00%	\$704,355	\$732,530	\$761,831	\$792,304	\$823,996	\$3,815,016
Option 3								
TBPF	\$17,608,886	5.00%	\$880,444	\$924,467	\$970,690	\$1,019,224	\$1,070,186	\$4,865,011
Remainder	\$0	0.55%	\$0	\$0	\$0	\$0	\$0	\$0
Investment Portfolio	\$17,608,886	5.00%	\$880,444	\$924,467	\$970,690	\$1,019,224	\$1,070,186	\$4,865,011
<u>Change from Current State</u>								
Option 1			\$370,325	\$382,164	\$394,328	\$406,825	\$419,665	\$1,973,305
Option 2			\$608,045	\$635,692	\$664,464	\$694,404	\$725,561	\$3,328,165
Option 3			\$784,133	\$827,629	\$873,322	\$921,324	\$971,750	\$4,378,159
<u>Impact to ROA (bp)</u>								
Option 1			3	4	4	4	4	
Option 2			6	6	6	7	7	
Option 3			7	8	8	9	9	

This is an example for illustrative purposes only.



Charitable Donation Account (CDA)

- Reflects **credit union values**
- How does your credit union demonstrate **commitment to community**?
- How can your credit union be **more strategic** about giving?

Building on credit union core values of charity and community service

- History of **giving, volunteerism** and **civic leadership** already demonstrate a credit union's commitment to community
- Can you **amplify the impact** of the good you're doing through **strategic giving**?
- How can you leverage **sustainable funding** tools to fortify your brand?

**“Build Your Community and You
Build your Credit Union”**

Since 2018, the TruStage[™] Foundation Inc. (The Foundation) has invested close to **\$25.5 million** in more than **270 non-profit organizations and social impact projects** across the country.¹

¹ TruStage, TruStage Foundation contributes over 25 million dollars, 2024

Corporate social responsibility

- Credit unions are intrinsically dedicated to their communities
- Formal programs clearly demonstrate your commitment to Environmental Social Governance
- Show your members, employees and leaders that you care

There has been a **70%** increase in CDA investments in the past three years¹

¹ NCUA Call Report, 2023, December 31

Three-tiered approach to balanced giving

1

National

National Credit Union
Foundation,
CUs4Kids

Build the credit union brand

2

State

League
foundations

Extend your influence and
name recognition

3

Local

Community groups,
schools, events,
volunteer efforts

Engage employees in
setting donation priorities
for their communities

**“Build Your Community and You
Build your Credit Union”**

What is a CDA

- Allows credit unions to invest in non-703/704 investments for donations to **501(c)(3) charities**
- Invest **up to 5%** of a credit union's net worth
- Earnings to be **given away**
 - Federally chartered 51%
 - Most states adopted
- CDA must **remain at or below 5%** of net worth



More about CDAs

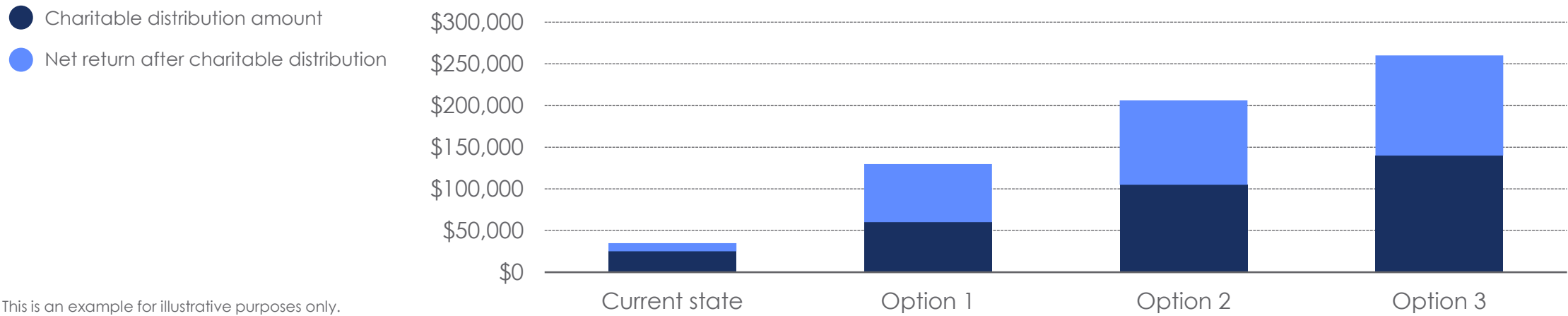
- Document distribution frequency: at least every **five years** but recommended annually
- Name charity(ies)
- Document **program** or **plan policy statement**
- Separate account



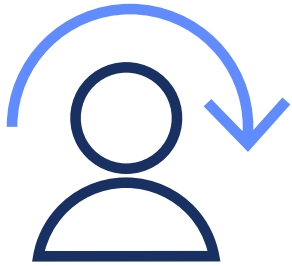
ABC credit union charitable donation account analysis

Maximum investment allowed: \$5,053,750

	Investable amount	Average rate of return	Total annual return	Charitable distribution percent	Charitable distribution amount	Net return after charitable distribution
Current state	\$5,053,750	0.55%	\$27,641	51%	\$14,097	\$13,544
Option 1	\$5,053,750	2.65%	\$133,924	51%	\$68,301	\$65,623
Option 2	\$5,053,750	4.00%	\$202,150	51%	\$103,097	\$99,054
Option 3	\$5,053,750	5.00%	\$252,688	51%	\$128,871	\$123,817



Funding options



Corporate-owned
life insurance



Investments



Structured products



Guaranteed income
contracts (GICs)

Securities and advisory services are offered through LPL Financial.

Corporate-owned life insurance (COLI)



- 1 Cash value life insurance with a **generally stable return**
- 2 Owned by the **credit union**, so policies can insure multiple executives
- 3 Life insurance **not directly tied to stock market** growth or declines
- 4 Returns = **positive impact on income** statement

Historic BOLI Crediting Rates Vs. 2-Year & 10-Year Treasury North American and Midland National



Funding Agreement and GIC Rates

Updated 10/29/2025



Below are the illustrative rates this week. The All in Rate is subject to changes in US Treasury throughout the week. The constant here is the spread over the relative US Treasury. Note: included in the spread is a 20bp trailer.

Quote date: 10/27/2025						
Illustrative Rates	2 year	3 year	4 year	5 year	6 Year	7 Year
Net Treasury Spread	0.47	0.55	0.63	0.69	0.74	0.80
US Treasury Rate	3.51	3.51	3.57	3.62	3.71	3.79
All in Rate	3.98	4.06	4.20	4.31	4.45	4.59

*\$1,000,000 Minimum

Approved in all states except NY, NM, and UT

Early termination provision approved in all states except ME, MD, MN, MS, NY, OR, RI, and VT.



Metropolitan Life Insurance Company

Funding Agreement

Illustrative Rates

Our current rates are:

Rates (10/29/2025) ¹	Gross Rate	Net Rate with 20 bp annual trailer
1 year	3.59%	3.37%
2 year	3.91%	3.70%
3 year	4.21%	4.00%
4 year	4.33%	4.12%
5 year	4.46%	4.26%
6 year	4.61%	4.41%
7 year	4.70%	4.50%
8 year	4.76%	4.56%
9 year	4.82%	4.62%
10 year	4.88%	4.68%

A woman with long dark hair, wearing a light pink blouse, stands and speaks to two men seated at a table. The man on the left is wearing a brown button-down shirt and looking down at a notebook. The man on the right is wearing a blue blazer and looking towards the woman. They are in a modern office setting with a wooden table, a green coffee cup, and some papers.

Managed investment accounts

- Professionally managed **investment portfolio**
- Can include **mutual funds, stocks, bonds and other investments**
- **Variable** Investments
- Potential to **customize** portfolio
- Understand **accounting impacts**; can be designed for more stability and income

All investing involves risk, including possible loss of principal. No strategy assures success or protects against loss. Securities and advisory services, when presented, are offered through LPL Financial (LPL), a registered investment advisor and broker-dealer (member FINRA/SIPC).

Due diligence

- Document legal authority, accounting considerations and risk management
- Document evaluation of alternatives to the program and/or investments
- Regulatory reporting items
- Ongoing plan review and adjustments



Best practices: Establish risk tolerance

- 1 Understand the **board's perspective** on stable returns vs. some market exposure
- 2 Control market exposure via **strategic allocation of assets**
- 3 Consider a **blend** of investments and corporate-owned life insurance
- 4 Set up a “**risk budget**” for likely and/or maximum downside investment exposure
- 5 Manage these assets (up to 25% of net worth) as **part of your whole portfolio of assets** (loans, investments, etc.)

Best practices: Maximize TBPF/CDA impact

1

Manage TBPF/CDA as a long-term income source, as with lending (BONUS: TBPF/CDA also **invests in your employees and communities**)

2

TBPF: Use non-703/704 options to **add liquidity** to overall portfolio

3

CDA: Earnings over five years can help fund large, **game-changing donations**

4

CDA: Work with recipients on **sustained PR** for charitable/volunteer campaigns: both sides win

5

Establish programs, then increase funding **over time**

Steps to TBPF/CDA success

1

Educate key players: This is a start! Now bring in other execs, board, exec/comp committee, etc.

2

Review financials: Assess your opportunity for additional gains.

3

Vet potential providers: Credit union experience, ratings, stable history

4

Board resolution

5

Update investment **policy statement**

6

Establish and fund accounts

Conclusion

The solution to your deposit dilemma can also strengthen your employee benefits as well as your impact on communities in need.

Win + Win + Win

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