



May 27, 2026

Being exempt doesn't protect you
from this hidden tax

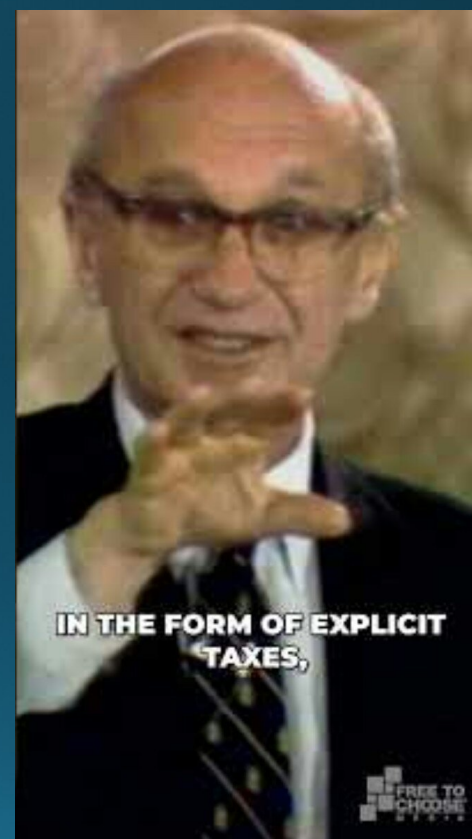


Top 5 Questions

Schedule a consultation at totalbenefitprefunding.com

Question 1...

What “HIDDEN TAX” that is having an impact to Credit Unions?



Schedule a consultation at totalbenefitprefunding.com



Inflation's Impact on Credit Unions

- **Compensation and Benefits**
- **Professional Services**
- **Operating Expenses**
- **Member Financial Impact**

Schedule a consultation at totalbenefitprefunding.com



Question 2...

WHAT'S DRIVING BENEFIT INFLATION AND IS IT REALLY IMPACTFUL?

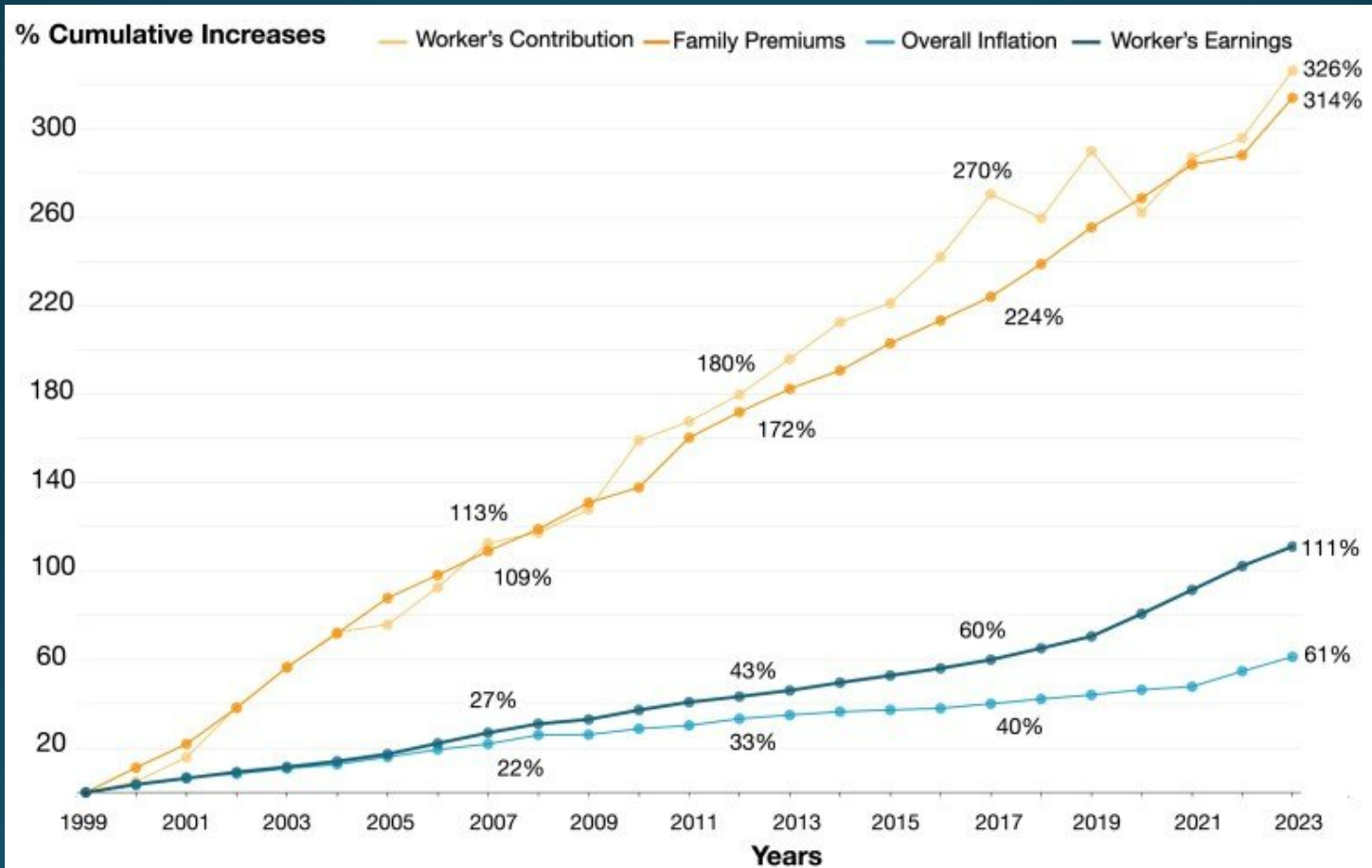
Schedule a consultation at totalbenefitprefunding.com



Main Drivers

- **Healthcare Premiums:** U.S. employer health benefit costs have risen by an average of 6.5% annually over the past five years.
 - Specialty Medications
 - Increased Utilization
 - Provider Consolidation
- **Regulatory Compliance & Administrative Overhead**
- **Expanded Expectations**
- **General Inflation**

Schedule a consultation at totalbenefitprefunding.com



Schedule a consultation at totalbenefitprefunding.com



Credit Union Impact

- Average inflation on employee benefits 6% over the last 25 years
- Meanwhile, cumulative workers' contributions toward coverage have grown even more (326%) than the overall cost (314%)
- If employers do not make any changes to their current plans, the overall average increase would reach nearly 9% on average for 2026-Mercer

Schedule a consultation at totalbenefitprefunding.com



National Average

- Single Coverage:
 - Total Premium: \$9,325 per year
 - Employee Share: ~\$1,440 annually (~16%)
- Family Coverage:
 - Total Premium: \$26,993 per year
 - Employee Share: ~\$6,850 annually (~25%)

Schedule a consultation at totalbenefitprefunding.com



Question 3...

IF INFLATION IS GOING TO CAUSE A CREDIT UNION'S BENEFIT COST TO ALMOST DOUBLE IN THE NEXT TEN YEARS, HOW CAN A CREDIT UNION GET AHEAD OF AN EXPENSE GROWING AT 6%+ A YEAR?

Schedule a consultation at totalbenefitprefunding.com

Not with business as usual.....

- We have lost almost 6000 credit unions since 2000
- Average ROI as of Q1 2026 is 3.21%
- Average ROA is 0.67%
- Average Net Interest Margin 3.4%
- Average Yield on Assets 4.85%

Schedule a consultation at totalbenefitprefunding.com

NCUA REG 701.19

- In 2003 NCUA makes special provision for credit unions to be able to compete for talent
- It allows normally non-permissible investments to be used if the interest income or market growth is used to offset employee benefit cost
- Allow Credit Unions the opportunity to keep pace with inflation on employee expenses
- These investments can be stocks, bonds, mutual funds, ETF's, life insurance, annuities, etc.

Schedule a consultation at totalbenefitprefunding.com



Question 4...

IS IT POSSIBLE FOR CREDIT UNIONS TO
EARN ABOVE 6%, WHILE STILL HAVING
PRINCIPAL PROTECTION WITH MINIMAL
TO NO VOLATILITY?

Schedule a consultation at totalbenefitprefunding.com



Not with business as usual.....

- Not using the same solutions that are under performing
 - BOLI/COLI
 - Split-Dollar Plans
- For-Profit Companies & Banks use life insurance for the tax advantage
- Cost of insurance erodes a credit unions return
- If policy has top-tier performance:
 - Cash Value IRR 3.49% at age 85
 - Death Benefit IRR 5.58% at age 85
- Average Credit Union performance of policies we have reviewed over the last 7 years is under 3%

Policy Charges Ledger

Current Scenario									
Age	End of Policy Year	Premium Outlay	Premium Charge	Policy Fee	Per Unit Charge	Cost of Insurance	Rider Charges	Asset Charges	Total Policy Charges
49	1	\$1,250,000.00	\$112,500	\$90	\$87,818	\$37,477	\$37,944	\$0	\$275,830
50	2	\$1,250,000.00	\$62,500	\$90	\$87,818	\$38,832	\$37,944	\$0	\$227,184
51	3	\$1,250,000.00	\$62,500	\$90	\$87,818	\$40,729	\$37,944	\$0	\$229,081
52	4	\$1,250,000.00	\$62,500	\$90	\$87,818	\$43,168	\$37,944	\$0	\$231,521
53	5	\$0.00	\$0	\$90	\$87,818	\$43,906	\$37,944	\$0	\$169,759
		\$5,000,000.00	\$300,000	\$450	\$439,091	\$204,112	\$189,722	\$0	\$1,133,375
54	6	\$0.00	\$0	\$90	\$87,818	\$45,062	\$37,944	\$0	\$170,914
55	7	\$0.00	\$0	\$90	\$87,818	\$46,318	\$37,944	\$0	\$172,170
56	8	\$0.00	\$0	\$90	\$87,818	\$47,868	\$37,944	\$0	\$173,721
57	9	\$0.00	\$0	\$90	\$87,818	\$49,665	\$37,944	\$0	\$175,518
58	10	\$0.00	\$0	\$90	\$87,818	\$51,736	\$37,944	\$0	\$177,588
		\$5,000,000.00	\$300,000	\$900	\$878,182	\$444,760	\$379,445	\$0	\$2,003,287
59	11	\$0.00	\$0	\$90	\$87,818	\$54,147	\$37,944	\$0	\$180,000
60	12	\$0.00	\$0	\$90	\$87,818	\$56,516	\$37,944	\$0	\$182,369
61	13	\$0.00	\$0	\$90	\$87,818	\$58,954	\$0	\$0	\$146,862
62	14	\$0.00	\$0	\$90	\$87,818	\$61,958	\$0	\$0	\$149,866
63	15	\$0.00	\$0	\$90	\$87,818	\$64,787	\$0	\$0	\$152,695
		\$5,000,000.00	\$300,000	\$1,350	\$1,317,273	\$741,122	\$455,333	\$0	\$2,815,079
64	16	\$0.00	\$0	\$90	\$0	\$71,755	\$0	\$0	\$71,845
65	17	\$0.00	\$0	\$90	\$0	\$79,296	\$0	\$0	\$79,386
66	18	\$0.00	\$0	\$90	\$0	\$87,392	\$0	\$0	\$87,482
67	19	\$0.00	\$0	\$90	\$0	\$96,710	\$0	\$0	\$96,800
68	20	\$0.00	\$0	\$90	\$0	\$107,105	\$0	\$0	\$107,195
		\$5,000,000.00	\$300,000	\$1,800	\$1,317,273	\$1,183,380	\$455,333	\$0	\$3,257,786
69	21	\$0.00	\$0	\$90	\$0	\$121,504	\$0	\$0	\$121,594
70	22	\$0.00	\$0	\$90	\$0	\$138,339	\$0	\$0	\$138,429
71	23	\$0.00	\$0	\$90	\$0	\$158,190	\$0	\$0	\$158,280
72	24	\$0.00	\$0	\$90	\$0	\$181,393	\$0	\$0	\$181,483
73	25	\$0.00	\$0	\$90	\$0	\$208,543	\$0	\$0	\$208,633
		\$5,000,000.00	\$300,000	\$2,250	\$1,317,273	\$1,991,348	\$455,333	\$0	\$4,066,205

Schedule a consultation at totalbenefitprefunding.com



Total Benefit Prefunding

....a better way to utilize 701.19

Traditional 701.19

1. Mainly focused on executive benefits with life insurance
2. Limited to 25% of net worth
3. Locks away liquidity for up to 20, 30, 40+ Years
4. Limited ROI because of fees & cost of insurance

Total Benefit Prefunding

1. Open architecture for solutions
2. Not limited to 25% of net worth
3. Maximum term is 10 years with access to 5%-10% per year
4. Higher ROI because of higher performance and zero fees in most solutions

Schedule a consultation at totalbenefitprefunding.com



Two most popular solutions

Option 1

- Term can be 5-15 years (usually 10)
- 100% downside protection
- Value adjust every 1 or 2 years depending on index crediting chosen
- 0% fee unless a rider is added
- 5%-20% free withdrawal per year

Option 2

- Term 6 years
- Choose downside protection 10%-100%
- Value adjust daily based on index performance
- Can lock in gains at anytime and start new index segment
- 0% fee unless a rider is added
- 10% free withdrawal per year

Schedule a consultation at totalbenefitprefunding.com



Option 1 Example

- 100% Principal Protection
- Can have bonuses on deposits ranging from 10-29%
- Can redeposit withdrawals to get additional bonus
- Popular with credit unions with \$20m-\$2b in assets
- Can be laddered like CDs/Bonds
- Builds a no-risk foundation for funding all employee benefits

Historical Index Movement Comparison - Most Recent 10, Highest, and Lowest Index Periods

The following comparison chart is intended to reflect the annuity product performance based upon the three different historical index performance scenarios, as described below. This chart assumes current rider charges, if applicable, and current rates as shown on page 3 of this illustration. This chart assumes no withdrawals are taken in the first 10 Contract Years. The values shown are not guaranteed; actual results may be higher or lower.

The **Most Recent 10** index scenario reflects the performance of the annuity assuming the historical performance of the index over the most recent 10 calendar year period.

Contract Year	Assumed Interest Rate	Accumulated Value
1	11.16%	\$1,322,811
2	14.05%	\$1,508,647
3	0.00%	\$1,508,647
4	22.02%	\$1,840,859
5	10.69%	\$2,037,702
6	14.89%	\$2,341,216
7	0.00%	\$2,341,216
8	1.74%	\$2,381,989
9	1.92%	\$2,427,658
10	0.00%	\$2,427,658

Product Geometric Mean Interest Rate = 7.39%

The **Highest** index scenario reflects the performance of the annuity during a continuous period of 10 years out of the last 20 years where the index had the highest 10 year growth.

Contract Year	Assumed Interest Rate	Accumulated Value
1	16.59%	\$1,387,375
2	18.98%	\$1,650,689
3	5.63%	\$1,743,612
4	4.39%	\$1,820,144
5	13.83%	\$2,071,896
6	7.34%	\$2,223,877
7	5.53%	\$2,346,921
8	11.78%	\$2,623,327
9	8.00%	\$2,833,233
10	6.89%	\$3,028,559

Product Geometric Mean Interest Rate = 9.79%

The **Lowest** index scenario reflects the performance of the annuity during a continuous period of 10 years out of the last 20 years where the index had the lowest 10 year growth.

Contract Year	Assumed Interest Rate	Accumulated Value
1	0.00%	\$1,190,000
2	13.09%	\$1,345,732
3	11.33%	\$1,498,172
4	0.00%	\$1,498,172
5	16.34%	\$1,742,948
6	15.00%	\$2,004,328
7	12.32%	\$2,251,194
8	0.00%	\$2,251,194
9	3.42%	\$2,328,125
10	0.00%	\$2,328,125

Product Geometric Mean Interest Rate = 6.94%

Schedule a consultation at totalbenefitprefunding.com

Option 2 example

- Designed to provide downside and minimize volatility
- Shorter-term for more flexibility
- Popular among credit unions with \$1B+ in assets size
- Credit Unions utilizing this since 2019 have averaged over 8% return while never exceeding their buffer protection
- Most recently had a credit union lock in 37% gains in 11 months

Historical perspective

6-year periods

Let's check out how these indices have performed historically. Here, we see returns of 6-year periods on a rolling monthly basis (e.g., Jan-Jan, Feb-Feb) and how frequently losses have occurred. The protective buffer is available up to -40%, and stays at a constant level for the 6-year duration.

For instance, if there's a -10% buffer and the given index declines by 8% during the time period, then the investment would be completely protected. If the index were to decline by 12%, the investment would incur only a 2% loss.¹

Historical 6-year index returns January 1980–December 2025

Performance between 0% and -10%

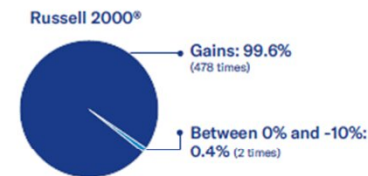


Average return² 76.7%

Total gains & losses	480
Number of gains	437
Number of losses	43

% of times return was greater than Segment Buffer

-10% Segment Buffer	97.7%
-15% Segment Buffer	99.8%
-20% Segment Buffer	100%
-40% Segment Buffer	100%

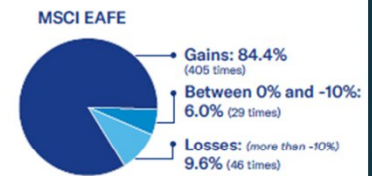


Average return² 63.8%

Total gains & losses	480
Number of gains	478
Number of losses	2

% of times return was greater than Segment Buffer

-10% Segment Buffer	100%
-15% Segment Buffer	100%
-20% Segment Buffer	100%
-40% Segment Buffer	100%



Average return² 61.1%

Total gains & losses	480
Number of gains	405
Number of losses	75

% of times return was greater than Segment Buffer

-10% Segment Buffer	90.4%
-15% Segment Buffer	92.5%
-20% Segment Buffer	95.2%
-40% Segment Buffer	100%

Please note that due to spacing constraints, the index names in the chart above may have been abbreviated. For full index names, please refer to the next page.

Some things to consider

- The largest 6-year loss in the S&P 500 Index dating back to 1980 was -15.04% (month ending December 2005).
- The largest 6-year loss in the Russell 2000® Index dating back to 1980 was -3.54% (month ending September 2011).
- The largest 6-year loss in the MSCI EAFE dating back to 1980 was -27.55% (month ending June 2013).

Schedule a consultation at totalbenefitprefunding.com



Question 5...

HOW DO CREDIT UNIONS USE 701.19
AND THESE TYPE OF INVESTMETNS TO
RECRUIT, RETAIN, AND REWARD THE
RIGHT EMPLOYEES IN THIS
ENVIROMENT?

Schedule a consultation at totalbenefitprefunding.com



Increasing Benefits Offering

- Increased income from 701.19 investments
- Once credit unions have 100% of their benefits cost paid for....
 - 100% of health insurance premiums covered
 - Increased 401k match
 - Paying off student loans
 - Increased training and development
- Enhanced executive benefits
 - Covering short falls of existing split-dollar plans
 - Creating plans for multiple tiers of leaders

Schedule a consultation at totalbenefitprefunding.com



Executive Strategies- Lump Sum Bonus

- Doesn't have the cost or risk of life insurance-based plans
- Required investment is less than half of life insurance-based plans
- Can be designed different ways:
 - Performance bonus
 - Multiple of salary
 - Anything above original principal
- Can have any vesting period
- Doesn't have the limitations of an ERISA based plans or 457F plan

End of Year Age	Annual Assumed Earnings Rate	Accumulated Value	Cash Surrender Value ¹
49	0.00%	\$2,128,000	\$1,686,606
50	11.29%	\$2,368,341	\$1,883,639
51	0.00%	\$2,368,341	\$1,886,215
52	34.02%	\$3,174,102	\$2,546,595
53	0.00%	\$3,174,102	\$2,581,792
54	18.52%	\$3,761,802	\$3,086,221
55	0.00%	\$3,761,802	\$3,200,218
56	27.55%	\$4,798,087	\$4,213,605
57	0.00%	\$4,798,087	\$4,358,548
58	0.55%	\$4,824,520	\$4,562,542
59	0.00%	\$4,824,520	\$4,824,520
60	11.37%	\$5,373,017	\$5,373,017
61	0.00%	\$5,373,017	\$5,373,017
62	34.35%	\$7,218,487	\$7,218,487
63	0.00%	\$7,218,487	\$7,218,487
64	19.60%	\$8,633,446	\$8,633,446
65	0.00%	\$8,633,446	\$8,633,446
66	29.49%	\$11,179,713	\$11,179,713

This was the alternative chosen at an investment of \$1.9m vs \$5m in split-dollar by a competitor

Schedule a consultation at totalbenefitprefunding.com



Executive Strategies- Income Replacement in Retirement

Executive 48yrs Old

Current Salary \$250,000

Project Salary at 65 \$608,513

Goal Total	Retirement Income Needed	Current Short-Fall
60%	\$365,108	\$250,270
70%	\$425,959	\$311,121
80%	\$486,810	\$371,972

Total Benefit Prefunding with principal refund to credit union

\$1.6m initial Investment

- Worst 10yr performance
 - Age 65 \$3,899,747 lump sum
 - Income for 20yrs between \$300,000-\$350,000
- Most Recent 10-year performance
 - Age 65 \$7,814,495 lump sum
 - Income for 20yrs between \$600,000-\$700,000

Schedule a consultation at totalbenefitprefunding.com

Summary

- Inflation on operating expenses is growing faster than most credit unions income
- The highest of these is employee benefit cost rising at 6%+ per year
- Credit Unions need to utilize options like 701.19 investments to outpace inflation
- Traditional COLI/BOLI or other life insurance plans can't keep pace with inflation because of fee and cost of insurance
- Credit Unions can earn 6-8% consistently with options like Total Benefit Prefunding
- Credit Union Benefit would like to be an impartial resource in helping credit unions evaluate their 701.19 opportunities

Schedule a consultation at totalbenefitprefunding.com



Q&A

Schedule a consultation at totalbenefitprefunding.com



Credit Union Benefit — the leader in Total Benefit Prefunding since 2019. Trusted by credit unions nationwide, ranging from \$25M - \$3.5B in assets, Credit Union Benefit oversees \$670M+ AUM, delivering superior risk-adjusted returns that materially offset rising employee-benefit liabilities, thereby reducing operational costs.

Thank you!

Schedule a consultation at totalbenefitprefunding.com