

# Funding Solutions



CUNA Mutual Group's Executive Benefits Program manages 25% of the total non-703 assets in the credit union industry, including the non-qualified plans of more than **1,200 credit unions**.<sup>1</sup> You have access to funding solutions that offer an expected yield **4X higher** than the credit union industry's average rate of return on assets.<sup>2</sup>

Multiple, non-proprietary funding options from industry-leading financial services firms can be customized, based on your credit union's risk tolerance and investment preferences. This, combined with our **open architecture platform**, gives you access to a variety of solutions, which can be tailored to your needs. Our **non-commissioned sales** specialists work closely with you to choose the approach that serves your best interests. Funding solutions include:

## Permanent Life Insurance

Permanent Life Insurance is designed to remain in force for the entire life of an insured. In addition to death benefit coverage, one common feature of permanent life insurance is the accumulation of cash values. Permanent life insurance policies are typically classified according to how they accumulate cash values:

- **Whole Life:** In whole life insurance policies, the premiums schedule is fixed and cash values are guaranteed to accumulate to a specified amount at the end of the policy (assuming the policy is kept current). Many whole life policies participate in dividends from the insurance company, enhancing the cash value and death benefit performance in excess of the guaranteed amounts.
- **Universal Life:** Universal life insurance policies receive a credited interest rate as stated periodically by the insurance company. These policies allow for greater premium flexibility and typically have a minimum guaranteed crediting rate. However, unlike whole life which guarantees a specific cash value, universal life policies have policy charges that are netted against the credited interest.
- **Indexed Universal Life:** A flexible premium policy like universal life, indexed universal life insurance policies are credited interest based on the performance of a selected equity-based index. These products typically have maximum and minimum crediting rates, and policy charges are netted against credited interest.
- **Variable Universal Life:** A flexible premium policy like universal life, variable universal life insurance policies are credited interest based on the performance of underlying variable sub-accounts. These products do not have maximum and minimum crediting rates and rates could be negative. Policy charges are netted against credited interest.

## Business-Owned Life Insurance (BOLI)

BOLI is a special type of high cash value life insurance used by banks and credit unions to offset employee benefits expenses. BOLI offers credit unions a competitive, consistent yield with strong crediting rate guarantees. Additionally, fees and insurance costs for the BOLI approach are embedded in the net return offered through the life insurance policy. There is no separate investment maintenance fee for the BOLI approach to offsetting the plan obligation.

## Managed Investments Accounts

A Managed Investment Account is a means of investment where the investor, rather than buying and selling their own securities, places their investment funds in the hands of a qualified investment professional for a predetermined annual fee. In contrast to mutual funds, which are professionally managed on behalf of many mutual fund holders, Managed Investment Accounts are personalized investment portfolios tailored to the specific needs of the account holder.

## Annuities

An annuity is a contract issued by an insurance company to provide future financial benefits. It can be structured to receive lump-sum or periodic deposits, typically has surrender penalties in the early years, and may offer different forms of income distribution options. Like life insurance, annuities can be classified according to how cash values accumulate:

- **Fixed Annuity:** A Fixed Annuity provides guaranteed rates for a defined period of time, similar to how a certificate of deposit (CD) works. It is funded with a single premium, and may offer bonus rates in the first year. The rate then drops in subsequent years. In the case of a bonus annuity, it's important to evaluate the effective yield. Fixed Annuity rates change frequently based on duration, market rates and size of deposit.
- **Indexed Annuity:** An Indexed Annuity is a special class of annuities that yields returns based on a specified equity-based index. The interest rate formula is often subject to a "participation rate" and/or "cap or cap spread." Most indexed annuities have a floor of zero, meaning the absolute worst-case scenario due to a downturn in the market index is a consumer might not receive interest in a particular year. However, he or she cannot lose any previously credited interest or premiums.
- **Variable Annuity:** A Variable Annuity is registered as a security product. The Variable Annuity places an annuity wrapper around a portfolio of mutual funds and fund indicies. There are different sub accounts within a variable annuity. A credit union is able to move between sub accounts without fees. Many annuity carriers make available a fixed account as an investment option. There are also riders available (for additional charge) that may be advantageous to a credit union, allowing principal protection and stepped-up death benefits. There is also flexibility to make multiple premium payments (additional premium payments may be subject to new surrender schedules). Dollar cost averaging into the sub accounts is typically allowed. The variable annuity does have contract level charges associated with the guarantees and benefits provided by the insurance company in addition to those associated with the funds held in the variable sub accounts.

To learn more about funding solutions available through CUNA Mutual Group's Executive Benefits Program, visit [cunamutual.com/executivebenefits](https://cunamutual.com/executivebenefits) or call the Executive Benefits Service Center at **800.356.2644, ext. 665.8576** today.



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<sup>1</sup> CUNA Mutual Group Internal Data, 12/31/15; <sup>2</sup>Based on traditional permissible credit union investments of U.S. government-backed securities with an average current yield of 1% compared with implementing an investment program to offset the cost of employee benefits, which would allow you to invest in traditionally non-permissible investments including diversified equity and fixed income portfolios. These portfolios could provide returns which, in the past, have averaged between 4-5% annualized returns. Portfolios are not principal guaranteed and may lose value. Past performance is no guarantee of future results.

Proprietary insurance is underwritten by CMFG Life Insurance Company. Proprietary and brokered insurance is sold by CUNA Mutual Insurance Agency, Inc., a wholly owned subsidiary. This insurance is not a deposit and is not federally insured or guaranteed by your credit union. For more information, contact your Executive Benefits Specialist at 800.356.2644. Representatives are registered through, and securities are sold through, CUNA Brokerage Services, Inc. (CBSI), member, FINRA/SIPC, 2000 Heritage Way, Waverly, Iowa 50677, toll-free 866.512.6109. Insurance and annuity products are sold through CMFG Life Insurance Company. Non-deposit investment products are not federally insured, involve investment risk, may lose value and are not obligations of or guaranteed by the credit union.

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