Don’t Just Measure the Risk of Investing. Measure the Risk of Waiting.



For credit union leaders, evaluating investment risk is only half the equation. The opportunity cost of maintaining the status quo deserves scrutiny, too.

A Recurring Expense. A Strategic Question.

Every credit union faces the challenge of balancing today’s financial obligations with tomorrow’s strategic priorities. Technology, compensation, member services, and growth all compete for resources. And every year, employee benefits claim an increasing share of operating income.

The question isn’t simply what those benefits cost today.

It’s how you plan to pay for them tomorrow.

But what if a portion of those benefit expenses could be supported by investment earnings instead? For credit union CEOs and CFOs, that question opens the door to a larger discussion about financial risk, opportunity cost, and the long-term productivity of the balance sheet.

The Risk of Doing Nothing

When considering a different investment strategy, leadership naturally focuses on risk. How will it affect liquidity and capital? What happens if markets change? Does it align with the credit union’s investment policy and regulatory requirements?

Those are precisely the questions responsible financial executives should ask.

But there’s another question that deserves equal consideration:

What is the financial risk of maintaining the status quo?

Lower-yielding investments may serve legitimate safety and liquidity objectives. Yet maintaining an existing investment strategy without evaluating alternatives can mean foregoing opportunities to generate additional income.

Over time, those missed opportunities can influence how much financial flexibility a credit union has to pursue other priorities.

KEY TAKEAWAY

The greatest risk may not be changing your investment strategy. It may be overlooking opportunities for your balance sheet to work harder to fund employee benefits.

A Different Way to Fund an Existing Expense

Under NCUA Regulation 701.19, federal credit unions may make otherwise impermissible investments to fund qualifying employee benefit obligations, subject to applicable regulatory requirements.

Total Benefit Prefunding offers a framework for evaluating whether those investment opportunities can generate additional earnings to help offset recurring benefit expenses.

The objective isn't simply to pursue higher yields. It's to determine whether a portion of the balance sheet can be positioned more productively while respecting the credit union's liquidity needs, risk tolerance, accounting considerations, and investment objectives.

The benefit obligations already exist. The question is whether there's a more effective way to fund them.

Two Credit Unions. Two Different Decisions.

Consider two otherwise similar credit unions facing rising employee benefit expenses.

CREDIT UNION A

Continues funding benefit expenses entirely from operating income while maintaining its existing investment strategy.

CREDIT UNION B

Evaluates whether a qualifying investment strategy could generate incremental earnings to offset a portion of those same expenses.

Neither approach guarantees a superior outcome. Both require sound financial management.

But consider the cumulative implications over five or ten years. If Credit Union B can prudently generate additional investment income, how much operating income might be preserved for technology, employees, member services, or growth?

The difference isn't simply investment performance. It's the potential financial flexibility those earnings could create.

A Broader Perspective on Risk

Doing nothing can feel conservative because the existing strategy is familiar. But familiarity alone doesn't establish that it's the most effective approach.

Disciplined financial management requires evaluating both sides of the equation: the risks of pursuing an alternative and the potential opportunity cost of not pursuing one.

Not every credit union will find that a different investment strategy makes sense. But every credit union should understand what its current approach may be costing in foregone opportunities.

Because sometimes the most consequential financial decision isn't the one that changes this year's budget. It's the one that could change the trajectory of every budget that follows.

The Future Arrives Either Way

Let's look at your current benefit costs, investment strategy, and potential opportunity.

One conversation could reveal whether a decision today can create greater earnings and financial flexibility for your credit union tomorrow.

The future will arrive either way. The question is whether your balance sheet will be better prepared for it.

What Could Today's Decision Be Worth Five Years From Now?

Explore whether Total Benefit Prefunding could empower your credit union to generate additional investment income to support employee benefits.

Learn more and schedule an evaluation



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