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## **Collateral Assignment Split-Dollar: Why Continual Administration Shouldn't Be A Nightmare**

What record-keeping and administrative support should you and your organization be receiving?



# Agenda

Training Will Be Recorded

- About BenefisCU
- NCUA Examiner's Guide
- Pre-Purchase Due Diligence
- Post-Purchase Due Diligence
- Pitfalls
- Q&A

Please ask questions in the chat.

## CU Equity Members:

American Heritage FCU (Philadelphia, PA)

Desert Financial (Phoenix, AZ)

Goldenwest CU (Ogden, UT)

MAPS CU (Salem, OR)

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Oregon Community CU (Eugene, OR)

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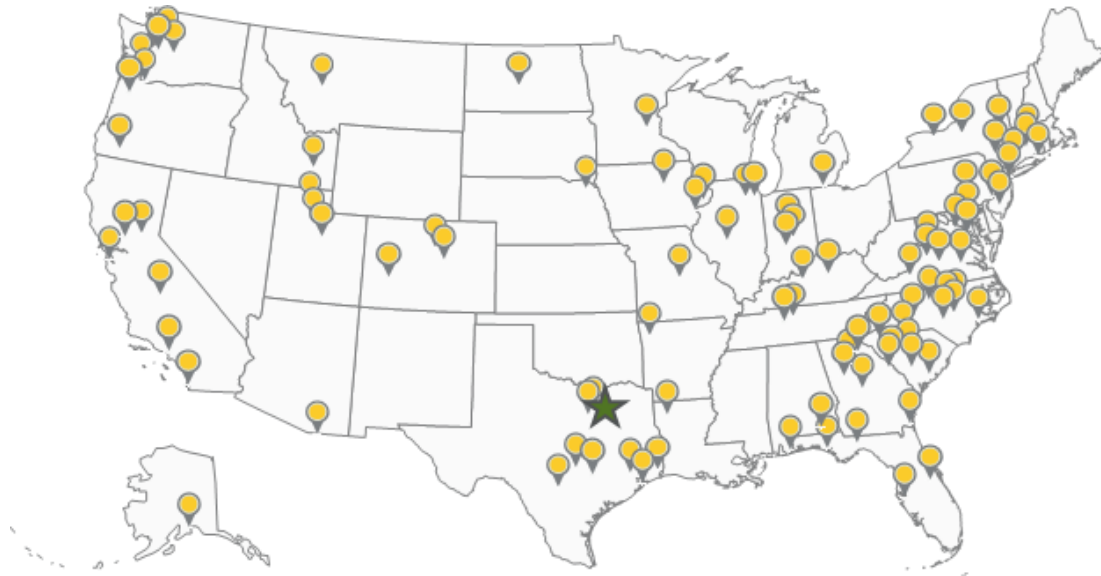
## Non-CU Members:

Triscend<sup>NP</sup>, LLLP (Dallas, TX)

Dollar Associates (Birmingham, AL)

# About BenefisCU

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## Non-Profit Markets Served:

- Credit Unions
- Healthcare
- Higher Education
- Associations
- Faith Based Organizations
- Other Non-Profits

## Featured In:

- Credit Union Today
- Credit Union Times
- CU Broadcast
- CU Management
- Trustee Magazine
- Becker's Healthcare
- LEAP
- The Leader's Board
- American College of Healthcare Executives
- Forbes Non-Profit Council
- Associations Now (ASAE)

# Triscend<sup>NP</sup> CUSO Leadership



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## Additional Specialized Talent powered by Triscend<sup>NP</sup>

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# Advanced Insurance Solutions

## Executive Benefits

Credit Union/Business Owned Life Insurance | Split-Dollar | Executive Bonus | 457(f) Deferred Compensation | Long-Term Care | Disability

## Business Protection

Disability | Key Man | Business Expense | Buy/Sell | Payment Protection

## Channels



**Matt Morris, JD**  
**Vice President - Client**  
**Relations**



# Administration Nightmares

- Lack of clarity on “Recourse” provisions
- Incorrect administration of forgiven interest loan models
- Not submitting required notice documents to IRS
- Relying solely on carrier documentation to “administer” a Split-Dollar program



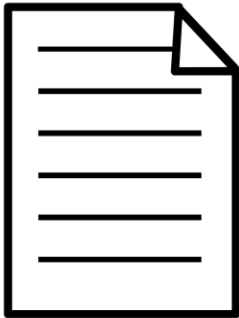
# NCUA Examiner's Guide and §701.19

- NCUA regulations give Federal Credit Unions the general authority to provide employees and officers with benefits that are “reasonable given the FCU’s size, financial condition, and the duties of the employees.”
- Peer data and industry salary/compensation surveys is one accepted methodology to assess reasonableness.
- §701.19 allows for the use of otherwise impermissible investments to fund employee benefit plans. Collateral Assignment/Loan Regime Split-Dollar falls into this category.

# Key Aspects of the NCUA Examiner's Guide

- Seven associated risks
- Safety and Soundness of Life Insurance Carrier
- Direct Relationship Requirement
  - Investment must be directly related to an employee benefit plan
  - Must be suitable for the credit union
  - Expected return must not exceed projected cost of benefit(s)
- Concentration Limits
  - 15% of Net Worth with any single obligor/carrier
  - 25% of Net Worth in the aggregate

# Seven Associated Risks



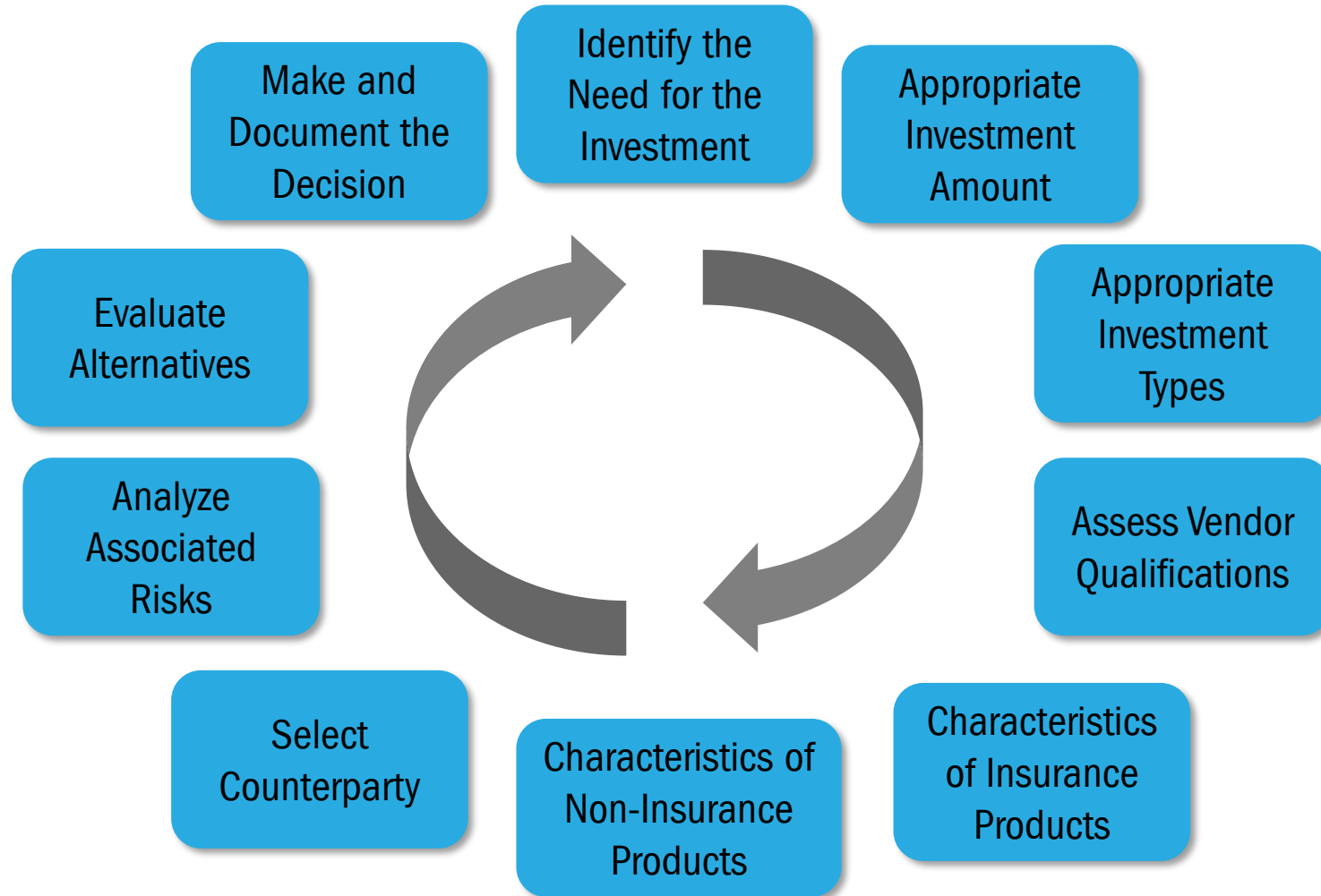
From  
Examiner's  
Guide

- Liquidity
- Transactional
- Reputation
- Credit
- Interest Rate
- Compliance
- Strategic

# Pre-Purchase Documentation

- Exam staff may request the following:
  - Board Minutes
  - Audit reports, and more
- A board-approved policy for employee benefit plan investment purchases should be in place before any investments are made.
- Understanding of the accounting requirements and impact.
  - EITF Abstract 06-10
  - Use of "Recourse" agreements.

# Pre-Purchase Due Diligence/Analysis



# Post-Purchase Due Diligence

- Credit union should conduct analysis on a Split-Dollar plan at least annually
- Review of seven risks
- Evaluation of concentration limits of 15% and 25% of Net Worth
- Safety and Soundness of life insurance carriers
  - Including applicable third-party reports
- Review of plan and policy performance

# Vendor Responsibilities

- The credit union should not be on its own when it comes to documenting and administering a Split-Dollar plan
- Guidance through all ten steps of pre-purchase analysis
- Initial and ongoing support
  - Annual meetings, regular loan balance and asset value reporting
- Expertise in numerous Split-Dollar insurance options
- Responsiveness with examiner and/or audit request

# Key Takeaways

- Document the decision-making process
- Choose a partner with expertise in Split-Dollar administration
- Review Split-Dollar plan at least annually
- Rely on vendor partner to assist with due diligence
  - We understand that the NCUA Examiner's Guide can be burdensome for a credit union alone.



# How to Make a Referral

Remember, you don't have to be an expert in BenefisCU products to make a referral, that's our job. Your role is simply to identify the potential either with a credit union or business member. From there, the team at BenefisCU powered by Triscend<sup>NP</sup> handles the entire process, including education, financial modeling, quoting, underwriting, and product placement.

**Step 1**  
Identify the  
Opportunity

**Step 2**  
Contact us  
with the details

**Step 3**  
You're done!  
We'll take it from there



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# Thank You!

Thank you for your time. This training has been recorded and will be made available in your credit union's BenefisCU marketing portal.