

Subscribe Today

Two easy ways to order your subscription to *Credit Union Directors Newsletter*:

- Call 800-348-3646
- Visit cuna.org/directors

The Human Element of Strategic Planning

Use data to make better decisions.

During strategic planning sessions, three issues often are at the forefront of discussions: loan growth, technology needs, and competition from nontraditional financial services providers.

While these are important topics, they can unintentionally limit the conversation to the “race to competition,” says Jill Nowacki, president/CEO of Humanidei, a human capital strategy firm.

“What is missing is introducing human capital strategies into strategic planning in a way that goes beyond the rising cost of health insurance,” Nowacki says.

Credit unions must incorporate employees in strategic planning in a way that lets them create a vision for leveraging staff’s talents, Nowacki says.

Doing so enables credit unions to capture more

benefits from technology, systems, and processes. She suggests creating an environment that encourages employees to bring their “whole selves” to work.

Learning what employees are passionate about will give the credit union a sense of what matters to staff and how to make a difference in the broader community.

“When credit unions get their human capital strategies right, they are better positioned to fulfill their mission of expanding the economic capacity of communities and families,” she says. “It is the people who understand the members and integrate the credit union deeply with the community.”

When Mutual Security Credit Union in Shelton, Conn., sought to broaden its strategic planning to a big-picture focus, it retained a marketing firm to redefine its mission,

vision, and value proposition statement.

In the process, the \$315 million asset credit union learned aligning its internal culture with its member-facing vision was a strategic necessity. Early tactics included creating activities and wellness committees, and providing paid time off for staff volunteer efforts.

“While we are still in the infant stages of incorporating our new mission, success has been evident,” says President Henry “Hank” Baum. “Our staff has bought into our new focus. As a result, employee turnover year-to-date as of June 1 has been zero.”

The management team attends strategic planning sessions, which empowers managers to do a “fantastic job” communicating Mutual Security’s strategy, goals, and expectations, Baum says.

Now, any major decision requires finding an answer to the same question: “How does this support our mission, vision, and core values?”

Strategic planning must prepare credit unions to compete in a competitive landscape, says Dennis Dollar, principal partner of Dollar Associates LLC.

“Technology and the competitive landscape are two challenges credit unions can’t ignore as they drive their managed growth goals toward more scale and enhanced member service,” Dollar says.

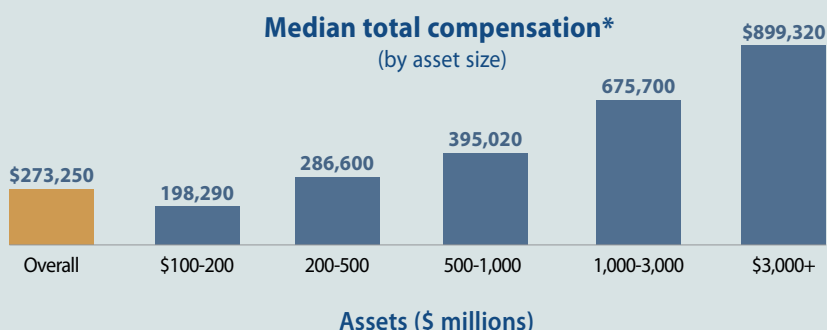
**‘ACTION WITHOUT
PLANNING IS FATAL, BUT
PLANNING WITHOUT
ACTION IS FUTILE.’**

DENNIS DOLLAR

QUICK TAKE FOR YOUR NEXT BOARD MEETING

CEO COMPENSATION INCREASES

The median total compensation in 2019 for CEOs at credit unions with assets of \$100 million or more is \$273,250, up from \$259,990 in 2018 according to CUNA’s 2019-2020 CEO Total Compensation Report.



*Among credit unions with \$100 million or more in assets. Excludes employee retirement, pension, profit-sharing plans, and supplemental executive retirement plans.

Source: CUNA’s 2019-2020 CEO Total Compensation Report (cuna.org/compensation)



CUNA board and committee resources:
cuna.org/board

He says credit unions that have a dynamic, ongoing strategic planning process that includes regular updates to the board and management are most likely to improve performance.

“When the top 100 banks have over 75% of the marketplace and credit unions have about 7%, the use of technology and the need to differentiate becomes crucial,” Dollar says.

Capitalizing on big data is critical to developing both a strategic plan and the tactics to implement it. Plus, the process of setting strategy should include a structured follow-up process for management to report to the board about whether tactics are achieving strategic goals.

“Action without planning is fatal,” Dollar says, “but planning without action is futile.”

7 Ways to Change Your Strategic Planning

Strategic planning consultants offer seven ways to make strategic planning more effective:

1. Focus on purpose. Spell out the credit union’s core purpose, says Scott Butterfield, consultant with Your Credit Union Partner.

2. Shorten your cycle. Renew the strategic plan every three years while revisiting goals and progress annually.

3. Limit your objectives. A list of three to four objectives sets direction; anything more risks becoming a laundry list, says Jeff Rendel, president of Rising Above Enterprises.

4. Continue the conversation. Consider making strategy review part of the board’s monthly meeting. Make strategic planning a process, not

an event.

5. Answer two big questions. Butterfield says addressing two questions helps form a strategic vision for your future: Who will your borrowers be in five to 10 years? What will their needs be?

6. Use the 80/20 rule. Boards should spend 20% of their time looking backward (i.e., at past financials) and 80% of their time looking to the future, says Jill Nowacki, president/CEO of Humanidei.

7. Break it up. Break up the plan to help managers and employees understand what they’re aiming for. Each employee should be able to apply a strategic objective, such as “become easy and efficient” to everyday work.

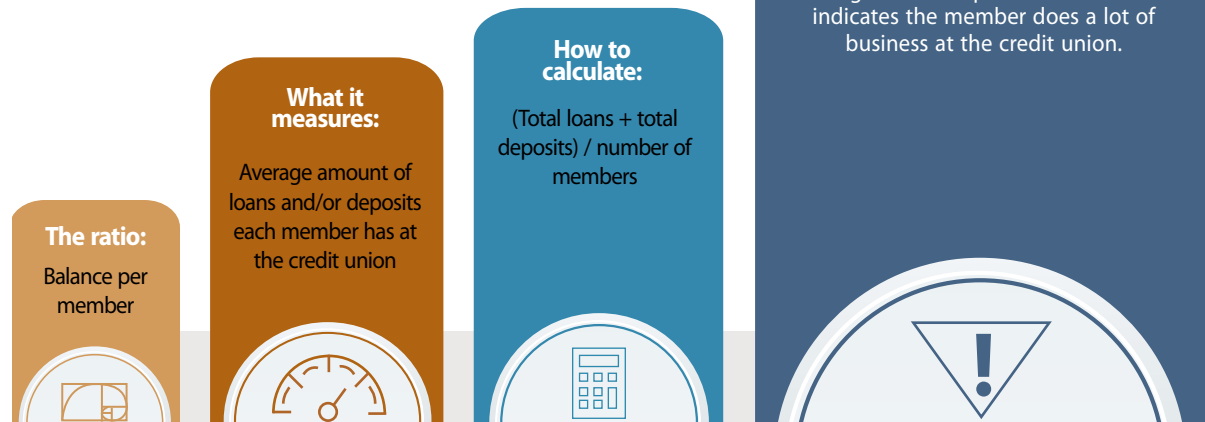


CUNA Professional Development Online:
cuna.org/cpdonline

Ratios to Remember

Financial statements—specifically the income statement and balance sheet—hold a wealth of information about the credit union operations. While the information is essential, these statements aren’t all that useful when taken by themselves.

To get the most out of these statements, you must figure out the key ratios. *Credit Union Directors Newsletter* has been exploring 10 key ratios directors should know, including what the ratio measures, how to calculate it, and why the ratio is important.



Split-Dollar Life Insurance and Executive Benefit Plans

CASD plans are an alternative to 457(f) plans.

In the ongoing quest to retain top executives, many credit unions are using collateral assignment split-dollar (CASD) life insurance plans.

These plans provide an alternative to 457(f) plans and may offer additional tax planning options for participants. Credit unions can use them to supplement executives' retirement income and provide diversification from investments commonly found in 401(k) and other qualified retirement plans.

Split-dollar plans also offer excise tax relief for credit unions by helping keep executive compensation below the \$1 million threshold. The Tax Reform and Jobs Act that took effect in 2018 created a 21% excise tax for credit unions on annual executive compensation in excess of \$1 million.

With a CASD plan, the credit union makes a loan to the executive. The loan is used to pay premiums for a permanent life insurance policy, which is held as collateral by the credit union until repayment.

The policy cash values can be accessed for supplemental retirement income or other cash needs.

The three types of CASD loans are term, demand, and hybrid. With a term loan, the credit union can earn an IRS-determined interest rate (or higher) on the premium loans to the executive, which is based on the loan duration.

The demand loan can use below-market interest rates. A hybrid loan structure has components of both the term and demand loans.

Each split-dollar plan design has advantages for the credit union and executive. Like any long-term investment strategy, the market interest-rate environment and risk tolerance of all parties are key factors to choosing the most suitable plan. Consult

with qualified legal counsel to discuss the pros and cons of each plan type to make an informed decision.

CASD plans have two components:

1. The plan is the formal document or contract between the credit union and the executive.

2. The product is the life insurance policy supporting the plan that requires executive insurability and underwriting.

Life insurance products can range from whole life and universal life, which provide performance-based returns on stated rates provided by the insurance company, to variable and indexed products, which rely on market (or underlying investment) performance.

Generally, the more a product relies on market performance, the more risk it poses to the participant and the credit union. Select the product that best suits the credit union's program while satisfying regulatory concerns with safety and soundness.

Also consider the long-term nature of split-dollar plans. Often, plans are designed so the premium loan is paid back upon the executive's death through the insurance policy's death benefits, so plans might last 30 years or longer.

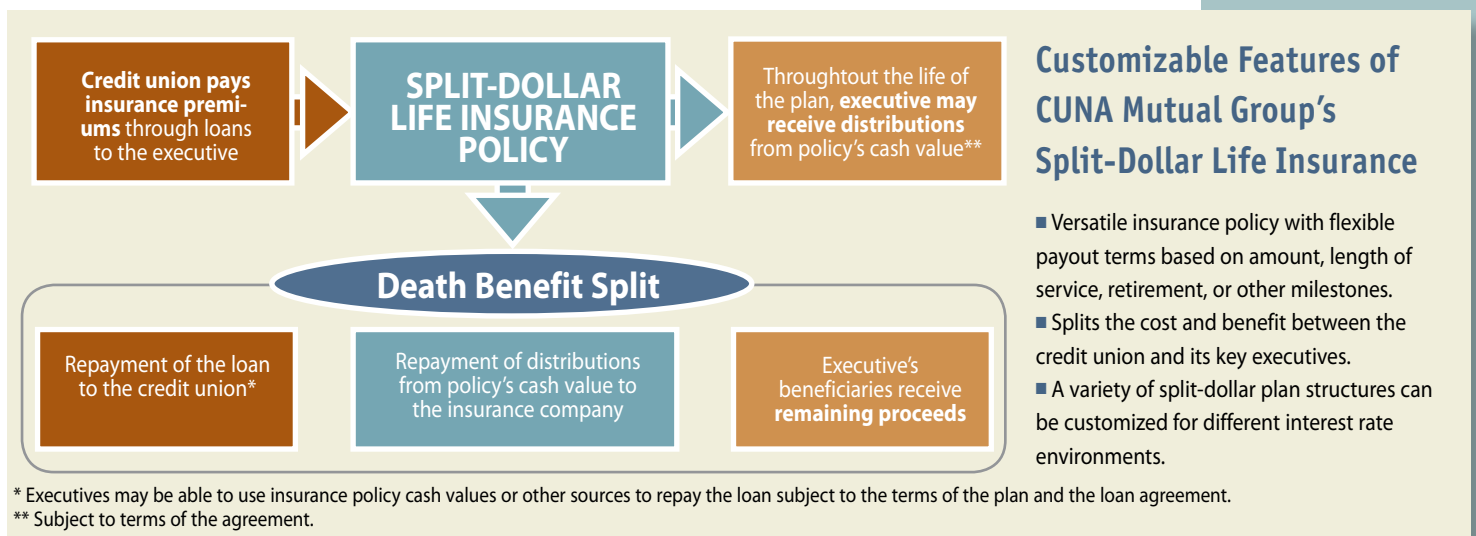
This may be offset by the credit union receiving interest income on the loan. Also, a credit union's growth over time can diminish the impact the plan has on the credit union financials.

It takes an expert to provide education and to design, implement, and maintain the plan over time. While credit unions must consider several factors when implementing CASDs, the plans can deliver long-term advantages.

PETER SULLIVAN is a senior executive benefits specialist for CUNA Mutual Group. Contact him at peter.sullivan@cunamutual.com.



CUNA Mutual Group:
cunamutual.com





CUNA Environmental Scan
resources: cuna.org/escan:

Five Questions to Consider During Strategic Planning

Examine these issues during strategy sessions.

Raddon suggests five questions to consider during your next strategic planning session:

1. How should you prepare for a possible recession? Several factors point to a greater likelihood of recession, including slowing loan growth. Devise a plan for how your credit union would manage risk and declining revenue in the even of a recession.

2. How will your credit union foster employee engagement? High-performing financial institutions have engaged employees. These employees are advocates, and they build a credit union's brand with every interaction they have with members.

Analyze employees' job roles, how they've changed, and how the credit union can maintain employee engagement.

3. How can you grow your deposit base without relying solely on price? It's a competitive deposit environment. Look for ways to grow deposits by using strategies other than pricing. Competition from big banks and internet-only financial institu-

DEVISE A PLAN TO MANAGE RISK NOW TO WITHSTAND A RECESSION LATER.

tions presents challenges credit unions must overcome to meet deposit goals. Craft a deposit strategy that allows your credit union to attract and retain key deposit relationships through a variety of different methods.

4. Are credit cards still valuable in a digital world? For member relationships to thrive, credit unions must meet members' expectations for digital experiences. As payments evolve to provide consumers with more intelligent experiences related to enablement, awareness, and fraud, card issuers must re-focus their approach in the fight for top-of-wallet status. Explore how card rewards, controls and new card technologies can improve your relationships and increase cardholder stickiness.

5. Can the branch be saved? With the continued growth of mobile banking, credit unions must rethink and rationalize their branch locations as foot traffic declines. Branches are a critical tool in building deposit relationships.

Consider your branch strategy and performance, and how both have changed after a decade of focusing on transactional efficiency.

STATEMENT OF OWNERSHIP, MANAGEMENT, AND CIRCULATION

Title of publication: Credit Union Directors Newsletter

Frequency of issue: Monthly

Location of office of publication: 5710 Mineral Point Road, Madison, WI 53705-4454, Dane County

Location of the headquarters or general business office of the publisher: 5710 Mineral Point Road, Madison, WI 53705-4454, Dane County

Publisher: Ann Hayes Peterson, Credit Union National Association, 5710 Mineral Point Road, Madison, WI 53705-4454

Editor-in-chief: Ann Hayes Peterson, 5710 Mineral Point Road, Madison, WI 53705-4454

Owner: Credit Union National Association, 5710 Mineral Point Road, Madison, WI 53705-4454

Known bondholders, mortgagees, and other security holders owning or holding 1% or more of total amount of bonds, mortgages, or other securities: None.

I certify the above statements are true and complete—Ann Hayes Peterson, editor-in-chief, 11/1/2019

	Average No. Copies Each Issue During Preceding 12 Months	No. Copies of Single Issue Published Nearest to Filing Date
A. Total printed (Net press run)	2,232	1,778
B1. Paid/requested outside-county	1,773	1,677
B2. Paid in-county	0	0
B3. Sales through dealers, vendors and counter sales	0	0
B4. Other classes mailed	0	0
C. Total paid distribution	1,773	1,677
D1. Free outside-county	0	0
D2. Free in-county	0	0
D3. Other classes mailed	0	0
D4. Free outside the mail	25	0
E. Total free distribution	25	0
F. Total distribution	1,798	1,677
G. Copies not distributed	434	101
H. TOTAL	2,232	1,778
I. Percent paid	98.7%	100%
a. Paid electronic copies	139	147
b. Total paid print + paid electronic	1,912	1,824
c. Total print dist. + paid electronic	1,937	1,824
d. Percent paid (print & electronic)	98.7%	100%



Send us your comments:
directors@cuna.coop

CREDIT UNION Directors NEWSLETTER

CREDIT UNION DIRECTORS NEWSLETTER (ISSN 1058-1561) is published monthly for \$142 per year by the Credit Union National Association, 5710 Mineral Point Road, Madison, WI 53705-4454. (Multiple-copy discounts available.) Also available as a downloadable PDF for an annual subscription rate of \$695. Periodical postage paid at Madison, Wis.

POSTMASTER: Send address changes to CREDIT UNION DIRECTORS NEWSLETTER, P.O. Box 461, Annapolis Junction, MD 20701-0461. Advertising is accepted only from reputable firms, but inclusion of advertising does not imply endorsement by the newsletter or CUNA Inc.

Publisher: Ann Hayes Peterson, vice president and editor-in-chief, apeterson@cuna.coop

Editorial staff: Bill Merrick, deputy editor, bmerrick@cuna.coop; Jennifer Plager, senior editor, jplager@cuna.coop

Design and production staff: Carrie Doyle, graphic designer, cdoyle@cuna.coop

Editorial: 608-231-4211 **Subscriptions:** 800-348-3646, fax 301-206-9789, or cuna.org/directors

© 2019 Credit Union National Association Inc. All rights reserved. Produced in cooperation with your league.



AMERICA'S
CREDIT UNIONS®