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Charles Fishman: The Wal-Mart Effect: How the World's Most Powerful Company Really Works--and How

It's Transforming the American Economy

Wal-Mart virtually invented big-box retail, and did nothing short of change the world. In an "unputdownable" read, Charles Fishman provides an inside glimpse of the tactics and strategies Wal-Mart employed to establish its utter

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Are You Really Ready for Retirement?

By Joe Tripalin

When I ask this question, don't get me wrong. I'm not wondering if you're ready to be "put out to pasture" tomorrow! What I mean is are you on track for a financially comfortable retirement? Lots of executives thought they were—only to be derailed by market setbacks that may be making the days of golf and spending time with grandchildren look like a longer-term goal than they had anticipated. If you haven't been keeping a close eye on your retirement plan, you may want to take a second look.

About 75 percent of CEOs of larger credit unions are depending on a supplemental executive retirement program, or SERP, for at least a portion of their retirement dollars. SERPs cover a variety of programs including 457(f) arrangements or split dollar programs. But, with the markets struggling after 9/11 and again today with the mortgage crisis, your program may not be performing on pace to provide the benefit promised when it was established.

Like any important arrangement that you depend on, a SERP must be monitored and managed. If, after a thorough review, you discover that yours is not performing as you hoped and the prospects are not promising for it to make up the ground it has lost, take action to fix the program.

In the best of situations, you can access some of the assets in the program without paying any surrender charge or penalty. This cash may be enough to start another program that will provide the retirement supplement you require. And if you don't have to ask your board for more money to make up the shortfall, it will certainly make the process less complicated.

But, sometimes additional resources are required. In many such

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dominance. Any business person can benefit from an understanding of Wal-Mart's encroachment.



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Seth Godin: Small Is the New Big: and 183 Other Riffs, Rants, and Remarkable Business Ideas

Remember when big was better? According to Godin, "Small is the new big [but] only when the person running the small thinks big." Sounds like the perfect job for a credit union CEO.

cases, boards understand the headwinds the program has been facing and are willing to invest additional dollars to correct the situation. But a bit of caution: If the prior arrangement hasn't worked, just adding more money may not be the solution to making the arrangement perform to meet your needs. Take a look at new options before you decide.

It is quite possible that since you implemented your SERP, new programs have been introduced to credit unions that could be very beneficial to you. In the last few years, various kinds of split-dollar life insurance arrangements have taken the lead in creating new SERPs for credit union executives. There are many reasons for this, but a couple of important ones surround the strong dividend history of the insurance funding arrangement and the high probability that it will yield the anticipated level of benefits at retirement time.

Under one type of split-dollar arrangement, the executive is the owner of a life insurance policy while the credit union pays all the premiums, which are treated like loans. During retirement, the executive takes tax-free loans against the cash value of the policy to supplement his/her retirement income. Upon the executive's death, the policy death benefit repays the credit union the amount of the loans and the death benefit also repays the loans the executive took from the policy cash values. The employee's beneficiary receives the remaining death benefit, which is also tax free.

If you don't already have a SERP in place, this may be a good time to consider it. SERPs are flourishing in small and medium sized credit unions where the executives have not had a program in the past. Here, statistics show, about 50 percent of executives now have a SERP. Some arrangements, like the one described above, have no impact on the financials of the credit union and the funding payments can be spread out over many years, thus lowering the impact on the cash reserves. The loans described above are treated as a performing asset of the credit union and no expenses have to be charged to the credit union's income statement. Knowing the program won't challenge the credit union financially makes it much more comfortable for a board to implement.

Finally, SERPs aren't just for CEOs anymore. Credit unions of all sizes are using them to manage their succession planning process. When a board knows in advance the CEO will be retiring, they can take steps to ensure that some of the senior executives remain after the CEO retires to provide a smooth transition to the new leader. By providing senior executives with a SERP, the board places "golden handcuffs" on them to encourage them to stay on through the transition process. Whether one of these executives becomes CEO or not, they will

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Former OpenSource CU blogger Trey Reeme has launched this blog enroute to his new job at a Houston CU.
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Where they make compliance (almost) fun!
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Access a few of the top industry blogs, courtesy of the King County Chapter of Credit Unions
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Courtesy of Garland Group, here's an easy way to keep up on some of the top financial services blogs without subscribing to an RSS reader.
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Ben McConnell & Jackie Huba: Citizen Marketers: When People Are the Message

More about word of mouth and how social media are impacting marketing. Get an excerpt, interview with the authors and more via this [blog posting](#). Learn about using social media in your CU's marketing at CUES Nexus



Robert Scoble: Naked Conversations: How Blogs are Changing the Way Businesses Talk with Customers

According to the author, every business can benefit from smart "naked" blogging in which posts are not filtered through a PR department. [Here](#) are links to the examples used in the book.

be there to help the credit union continue to provide great service to its members during the transition phase.

SERPs are very common today in credit unions. If you have one, make sure it is working for you. Make sure it's compliant with the new [IRS Section 409A](#) regulations that Congress enacted as a reaction to Enron. If your program isn't working for you, evaluate it and search for remedies. If you don't have a plan today, there are great programs that are very affordable for the credit union and they can do a terrific job in creating a comfortable retirement supplement for you.

Joe Tripalin is president of *McFarland, Wis.-based Preferred Benefit Partners Consulting, LLC*, and CUES' partner in [CUES Executive Benefits](#). Joe was formerly director of executive benefits for CUNA Mutual Group.

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