April 2023

Member Insights

MERCK EMPLOYEES
FEDERAL CREDIT UNION

From the desk of the President/CEO:

Know Your Coverage: Recent Banking Crisis Has Consumers Evaluating the Safety of Their Funds

The recent news of the failures of Silicon Valley Bank and Signature Bank have more people on edge about the safety of their funds in financial institutions. While the headlines can be jolting, consumers can settle their nerves by getting educated on how their funds are protected and what options they have to best protect their money.

The scenario that played out at Silicon Valley Bank has happened at various times over the course of history. Known as a "run" on the bank, it happens when depositors lose confidence in the bank and rapidly withdraw their money, thus rendering the bank unable to meet its obligations to its customers. This crisis of confidence in one or two banks can spread to many institutions if depositors nationally or regionally have confidence concerns. This is known as bank contagion and fortunately has not happened in this current crisis. Part of the reason it has not spread is the federal government made the unprecedented move of guaranteeing all deposits in the failed banks, no matter how large the accounts.

Here at Merck Employees Federal Credit Union we have had many conversations with our members about the current crisis. It's important to note that no member of a credit union has ever lost a penny due to a credit union failure. That is an important historic point and there's good reason for it. As not-for-profit financial cooperatives, credit unions operate in a highly-regulated environment that inherently limits risk. Many credit union members may not know this, but with the federal tax exemption credit unions have been awarded by Congress comes a number of operating restrictions that limit risk. In addition, Merck Employees FCU practices leading edge Enterprise Risk Management that goes beyond the regulatory requirements to best protect our members. In all economic climates, MEFCU is able to serve its members with the same high-quality, low-cost financial products due to our cooperative structure and core tenet of excellence in risk management.

But let's look beyond our walls here at the credit union. What should consumers at all banks and credit unions consider when evaluating the safety of their funds?

Full Faith and Credit Of the U.S. Government

First, it's important for all credit union and bank customers to know that up to $250,000 of their deposits are protected by federal deposit insurance. That guarantee is backed by the full, faith and credit of the United States government.

Beyond the initial $250,000 guarantee, consumers can use many different account structures to ensure more of their deposits are guaranteed by the government. As an example, with joint accounts, each joint account holder is given the $250,000 deposit guarantee. Thus a joint account with two joint accountholders would have $500,000 total. If there were three joint accountholders on an account it would be up to $750,000 of coverage.

Also, retirement accounts such as IRAs receive the $250,000 guarantee separate from their non-retirement account at the same financial institution. Savvy consumers also take advantage of tools such as Payable On Death accounts (also known as revocable trusts). With these accounts, the account holder can designate a beneficiary where the funds will go upon death and that account would have its own $250,000 of coverage for each beneficiary. Consumers can have multiple Payable on Death Accounts with different beneficiaries to further increase coverage. So as an example, a POD account with three beneficiaries would have $750,000 of coverage.

A good way to think about coverage is that it's based on account structure, not the number of accounts. Using various structures like joint accounts, PODs and others are simple ways to increase coverage. There are many more scenarios that consumers can consider. The NCUA makes it easy for consumers to estimate their coverage by using their coverage calculators. Visit the following link to walk through coverage scenarios: https://mycreditunion.gov/share-insurance-estimator-faq#05

Share Insurance ESTIMATOR

Using Multiple Institutions

One of the simplest ways to insure funds beyond $250,000 is to spread funds to different institutions. The $250,000 account guarantee is per institution, thus if a consumer had $250,000 in Credit Union A and $250,000 in Bank B, all $500,000 would be pro-

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tected. There is no limit to how many relationships a consumer can have.

One vehicle consumers with funds above $250,000 like to use is obtaining Certificates of Deposit (CDs) at different institutions. CDs can be a good vehicle to save and can easily be opened at various institutions, but it's very important that consumers understand that CDs require them to keep their money in the CD for a set period of time, whether it be 3 months or 5 years depending on the term of the CD. Consumers should research the penalties for early withdrawal and understand that CDs are not fully liquid and thus if the funds are suddenly needed it will take time to access and there will likely be penalties. I am happy to report that your credit union recently unveiled a new six-month share certificate (CD) to offer members another savings option. Details can be found on our web site. Members should be aware that CD offerings can change rapidly.

Consumers can also explore placing funds directly with the U.S. Treasury by visiting TreasuryDirect.gov. This is a direct way to invest in U.S. Treasuries which are protected by the full faith and credit of the U.S. Government. Safety is not a concern with U.S. Treasuries though there can be downsides such as not being able to quickly access funds in Treasuries in an emergency. In addition, the interest rate environment can change quickly and cause values go up or down accordingly.

In general, consumers should be assured that funds in depository institutions are secure, but for sums larger than $250,000 there are many tools at their disposal to increase coverage. We certainly want members to be aware of all their various insurance options, but please note that here at MEFCU our members are additionally protected by the credit union's comprehensive risk management and operating procedures that continue to make us one of the safest financial institutions in the country.



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87th Annual Meeting Slated for April 26, 2023

Merck Employees Federal Credit Union's 87th Annual Meeting is set for April 26, 2023. Among the business at the meeting will be an announcement of election results for the Board of Directors. In 2023, there are three expiring seats on the Board to be filled, each carrying a three-year term expiring 2026. The election will be conducted prior to the meeting. In accordance with the Credit Union's bylaws, when the number of nominees equals the number of vacancies, nominees are considered elected by general acclamation.

To be eligible to vote, a member must have a minimum of fifty dollars ($50) in a regular share account, be at least sixteen (16) years of age and a member in good standing as of January 1, 2023.

The Nominating Committee has selected the following candidates to fill the three positions on the Board of Directors:

- Linda George
- Raffalle Karby
- Charles Orgelfinger

The 87th Annual Meeting will take place virtually (online) with an in-person option, on April 26, 2023, at 6:00 pm at the Merck Rahway, NJ Corporate Campus. To register, please visit merckcu.com and click the link in the banner for the 87th Annual Meeting. Once the form is completed, you will receive further details via email. It is important that members register for the meeting in order to gain access to the virtual meeting information or to obtain Merck & Co. campus guest access.



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Established in 1936, Merck EFCU is federally-chartered and federally insured by the National Credit Union Administration.

NCUA

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