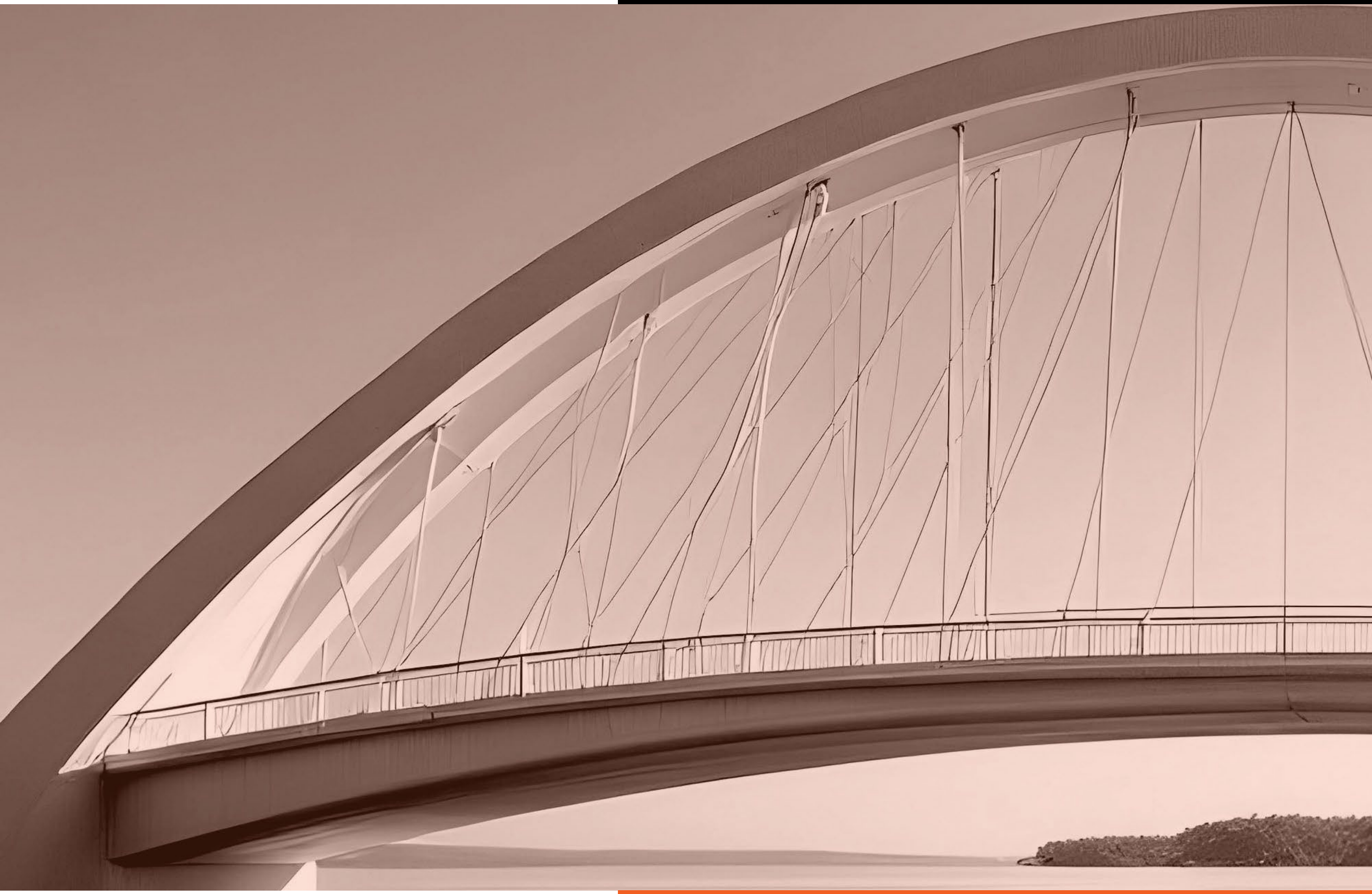
CEOAdvisoryGroup
CU MERGERS | BANK ACQUISITIONS | GROWTH PLANNING



Strategic Succession: The Case for Merger-Driven CEO Transitions

By Glenn Christensen, CEO Advisory Group, ceoadvisory.com

Executive Summary

While traditional succession planning focuses solely on finding the right individual, forward-thinking boards are discovering that the greatest value to members—both in the short and long term—may come through strategic partnerships that simultaneously address succession challenges while achieving the scale necessary to compete in tomorrow's financial services landscape.

The data presents a compelling case for this approach. Credit unions with assets between $1 and $5 billion demonstrate 30-60 basis points in member value advantages over smaller institutions through lower expense ratios, reduced loan rates, and higher deposit yields. They also consistently show positive membership growth, while 60-70% of credit unions with assets under $200 million experience declining membership. With the average credit union projected to reach $3.4 billion in assets by 2040 (according to CEO Advisory Group analysis)—nearly seven times today's average—the question isn't whether scale matters, but how quickly institutions can achieve it.

I work with credit unions using mergers as a succession strategy in different ways. Credit unions may look to acquire a CEO by merging with a like-sized or a smaller CU with a high performing CEO. Or the credit union with a retiring CEO may look to merge into a larger institution to not only solve its succession issue but to also gain scale to add value to members, the community and employees. In this scenario the larger credit union benefits by gaining entry into a new marketplace, perhaps in a new metro area or even state.

Strategic mergers during succession planning offer a unique opportunity for credit unions of all sizes. By timing merger discussions with natural leadership transitions, credit unions can secure exceptional CEO talent from high-performing partner institutions while delivering enhanced member value through expanded products, improved technology, greater convenience, and superior financial terms.

Table of Content

Introduction

Long before *Succession* was a hit HBO show, demographic experts have been warning about the dramatic succession crisis as baby boomers reach retirement age. Well, we are now in it. In 2025, on average, 11,400 Americans turn 65 every day—a phenomenon demographers call "Peak 65," referring to the years when the largest segment of baby boomers reaches traditional retirement age.

The credit union industry is particularly vulnerable to this demographic shift. According to Gallagher's Executive Compensation and Benefits Survey from 2024 of 725 credit unions and 2,530 executives, nearly one-third (29%) of credit union CEOs are aged 60 years and older, while half of all CEOs are aged 55 years and older. As the survey notes, "Given the post-pandemic trend of early retirements, the fact that half of CEOs are aged 55 years and older may raise concerns about leadership continuity and transition strategies."

At the same time, we are facing another succession crisis: a CEO pipeline that is running dry. Additionally, many who do make it to the top are finding they don't want the job. In 2024, CEO turnover reached an all-time high and continued to trend higher during the first quarter of 2025. These data points are not specific to credit unions, and our industry's commitment to developing future leaders and employee-focused cultures may insulate us from these challenges to some extent.

However, we also know that, according to a 2023 survey of NCUA exams, one in four credit unions lacked a succession plan or had an inadequate plan in place. And America's Credit Unions says that only 54% of credit unions have a succession plan.

The clock is ticking for those credit unions without a plan. The NCUA's new succession planning requirements, effective January 2026, will require credit union boards to establish comprehensive succession plans for key leadership positions. But beyond regulatory compliance, these requirements highlight a deeper strategic question that boards must address: **How can we ensure the best possible outcome for our members over the next decade and beyond?**

The new regulatory requirements give boards a perfect excuse to think bigger about succession. NCUA has explicitly acknowledged that succession planning challenges represent "one of the most common causes for unplanned and unforced credit union mergers," suggesting that proactive strategic thinking about succession—including merger consideration—can prevent crisis-driven decisions that may not serve members' best interests.

The traditional approach to succession planning typically centers on whether to promote from within or recruit externally. However, increasingly credit union leaders are asking a fundamentally different question: **Given the competitive landscape our institution will face over the next 10-15 years, what succession strategy will best position us to deliver exceptional member value?**

This shift in perspective reflects the realities of today's financial services environment. Credit unions face unprecedented competition from mega-banks with vast resources and fintech companies with cutting-edge technology. In this landscape, hiring even an exceptional CEO may not be sufficient if the institution lacks the scale, resources, and market position necessary to compete effectively.

The credit union industry is experiencing dramatic consolidation. From its peak of over 23,000 credit unions in 1970, the industry will likely have fewer than 3,000 institutions by 2040. This isn't simply a story of small, struggling credit unions disappearing. It's a fundamental restructuring toward the scale required for sustainable growth and member service in the modern financial marketplace.

What if your credit union could achieve better economies of scale and find the perfect CEO to lead your organization in the future? A credit union with a soon-to-retire CEO can achieve both with a strategic merger. Credit unions that consider mergers as part of their succession planning frequently discover they can achieve both exceptional leadership and transformational growth, delivering far greater member value than either strategy could accomplish alone.

This whitepaper examines why strategic mergers represent a powerful tool for succession planning and provides frameworks for boards to evaluate this approach as part of their responsibility to act in the best interests of their members.

Types of Mergers

First, let's examine the two types of mergers, as related to size.

Smaller Credit Union Merging into a Larger Credit Union: Here a smaller credit union (but not necessarily small) is looking to merge up into a larger credit union. When merging up, typically a credit union looks to merge into an organization that is 10 times as large or greater. In fact, according to NCUA's 2025 first quarter approved merger list, the average asset size of the larger merging credit unions was 20 times the size of the smaller CUs.

Mergers of Equals: Sometimes credit unions prefer to call these mergers of peers or mergers of like-sized credit unions. Whatever you call it, these are mergers between two institutions that have asset sizes within plus or minus 30% of each other. Historically, these mergers have not been driven by succession, but succession is a growing strategy for credit unions looking to merge with a like-sized institution.

The Scale Imperative

The credit union industry is currently experiencing one of the most dramatic periods of consolidation in the history of financial services. The numbers tell a story that every board should understand when making succession decisions.

The Vanishing Credit Union

From its peak of 23,687 credit unions in 1970, the industry has already consolidated to approximately 4,525 institutions today. Industry projections indicate that consolidation is accelerating, with fewer than 3,000 credit unions expected by 2040. That means nearly one-third of today's credit unions will disappear in the next 15 years.

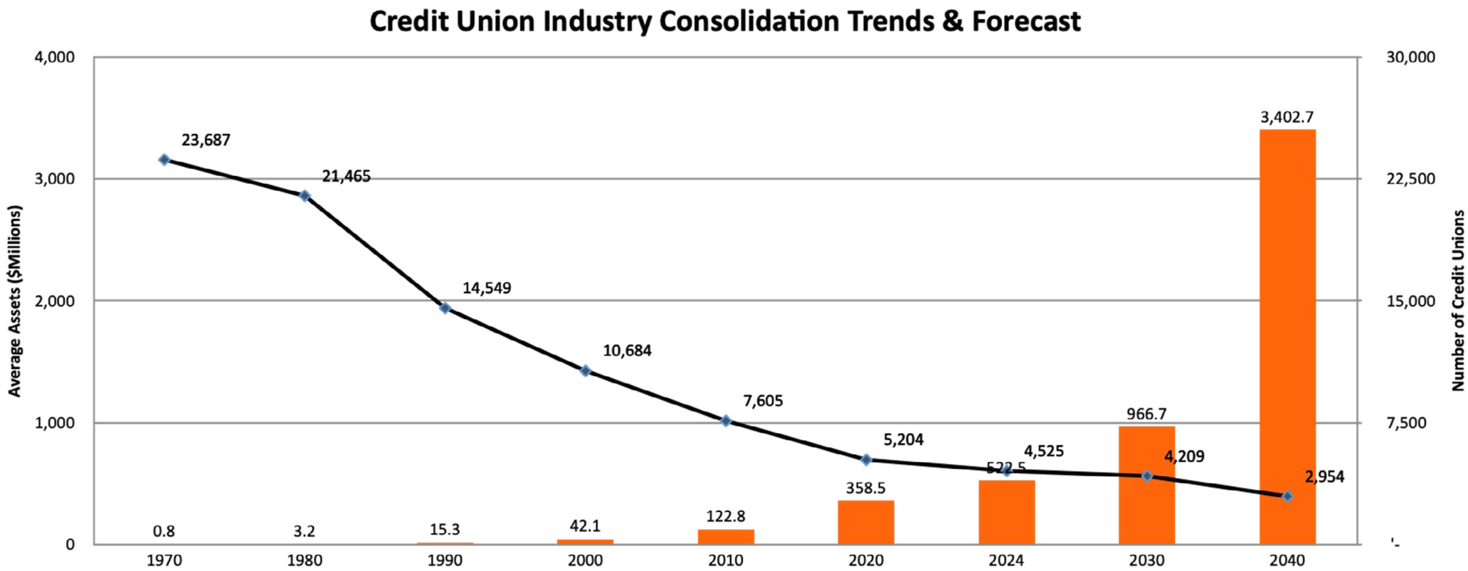


Figure 1: Credit Union Industry Consolidation Trend & Forecast

Meanwhile, the average asset size has exploded. The typical credit union had just $800,000 in assets in 1970. Today's average sits at $522.5 million. By 2040, according to an analysis, approximately 4,250 times larger than in 1970. This isn't just about getting bigger. It's about the minimum scale required to compete effectively in modern financial services.

The Member Value Case for Scale

The data on economies of scale reveals why consolidation benefits members. Credit unions with $5-$10 billion in assets consistently outperform smaller institutions across virtually every metric that matters to members:

Better Rates and Lower Costs: The largest credit unions (over $10 billion in assets) operate with expense ratios of 2.47% compared to 3.42% for credit unions under $50 million. Where does that savings go? Straight to the members through lower loan rates and higher deposit yields. Larger credit unions pass these savings to members through lower loan rates (4.67% vs. 6.12%) and higher deposit rates (1.12% vs. 0.57%). The net result? Members of the largest credit unions enjoy 30-60 basis points of additional value, and that adds up to real money over time. Members of the largest credit unions enjoy 30-60 basis points of additional value, and that adds up to real money over time.

			Value to Member					
Asset Category	Net Interest Margin (5yr Avg)	Expense to Assets (5yr Avg)	Yield on Loans (5yr Avg)	Cost of Deposits (5yr Avg)	Fee Income to Assets (5yr Avg)	Asset Growth (5yr CAGR %)	Membership Growth (5yr CAGR %)	ROAA (5y Avg)
$0 - $50M	4.10	3.42	6.12	0.57	0.43	2.83	(1.41)	0.45
$50M - $100M	3.61	3.34	5.26	0.58	0.60	5.58	(0.21)	0.63
$100M - $250M	3.62	3.40	5.10	0.68	0.65	6.51	0.58	0.66
$250M - $500M	3.51	3.37	4.93	0.76	0.61	7.58	1.62	0.68
$500M - $1.0B	3.49	3.40	4.83	0.84	0.62	8.05	1.99	0.68
$1.0B - $2.5B	3.31	3.13	4.72	0.94	0.54	8.64	3.05	0.72
$2.5B - $5.0B	3.21	2.87	4.71	1.08	0.43	9.89	4.62	0.84
$5.0B - $10B	2.97	2.55	4.52	1.10	0.35	9.83	5.75	0.91
$10B+	3.04	2.47	4.67	1.12	0.30	8.59	5.40	0.82
Grand Total	3.78	3.36	5.53	0.66	0.52	5.10	0.03	0.57

Figure 2: Value to Member

Sustainable Growth: Perhaps most telling, larger credit unions grow their membership while smaller ones shrink. Credit unions over $10 billion are consistently adding members at a 5.40% growth rate. Meanwhile, the smallest credit unions are losing members at a rate of 1.41%. Seventy percent of credit unions under $50 million experienced negative membership growth over the past five years. Even mid-sized institutions struggle—49% of credit unions with assets between $100 million and $250 million lost members during this same period.

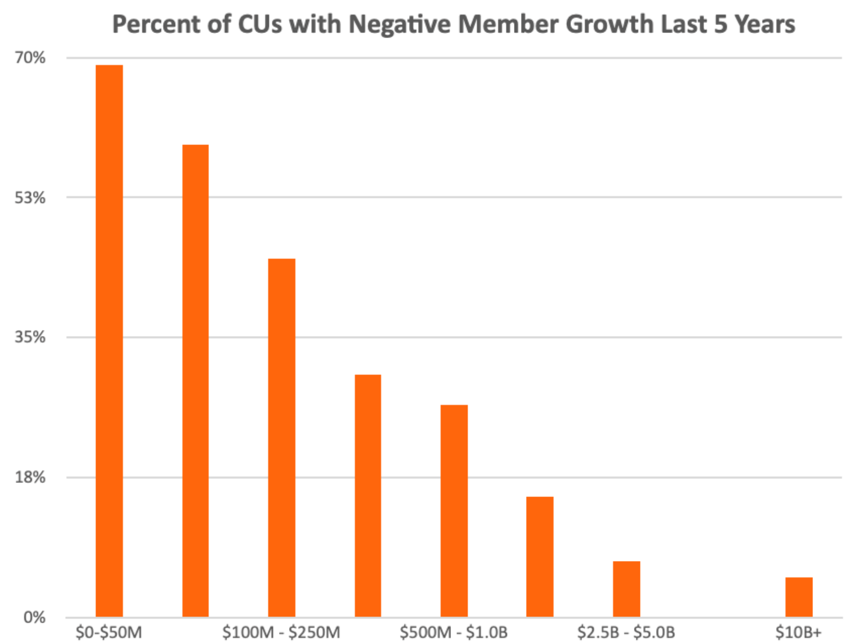


Figure 3: Percent of CUs with Negative Member Growth Last 5 Years

Fee Income: Smaller credit unions are more reliant on fee income to survive—they're taking in 0.43% of assets in fees compared to 0.30% for the largest credit unions. Larger credit unions can afford to keep costs lower because they have the scale to operate more efficiently.

Higher Returns: Larger credit unions ($5-$10 billion) generate return on average assets of 0.91% compared to just 0.45% for the smallest institutions. This higher profitability gets reinvested in better technology, expanded services, and competitive pricing for members.

Product and Service Expansion: The scale advantages go way beyond just better pricing. When you look at products and services, there's a fundamental difference between what smaller and larger credit unions can offer their members. Here's how the math works: When you implement a new product or service, you've got a limited segment of your membership that's going to use it. If you're a $100 million credit union and 5% of your members might use wealth management services, that's a pretty small group to justify the investment. But if you're a $2 billion credit union, that same 5% gives you 20 times as many potential users to spread those costs across.

Larger credit unions can afford to offer trust services, comprehensive insurance products, robust treasury management—things that require real expertise and significant upfront investment. They can hire specialists and establish departments to support these services. Most smaller credit unions cannot justify hiring a trust officer or building out a full commercial lending team.

And it's not just about having the budget. You need the membership base to make it worthwhile. We've seen credit unions attempt to add products that serve only 2% of their membership, and it simply doesn't pencil out. You end up with half-hearted offerings that don't serve anyone well.

The technology side is the same story. Larger credit unions can invest in AI, advanced digital marketing, and sophisticated mobile platforms. They can effectively customize and optimize these systems. Smaller credit unions are often limited to more affordable and basic solutions, and they lack the staff to fully maximize their benefits.

When considering member value, it's not just about rates and fees. It's about whether your members have access to the full range of financial services they need, delivered at a level that competes with what they can get elsewhere.

Mergers of Equals: It's not just the smallest credit unions that improve value to members when they merge into larger institutions. When two $250-$500 million credit unions merge–if they are performing according to peers–they can expect:

- **Loan rates drop** from 4.93% to 4.72% (a 21-basis-point improvement for members).
- **Deposit rates increase** from 0.76% to 0.94% (an 18-basis-point improvement for members).
- **Fee income decreases** from 0.61% to 0.54% (7 basis points fewer fees).
- **Expense ratios improve** from 3.37% to 3.13% (24 basis points in operational efficiency).

Additionally, larger credit unions experience greater asset and membership growth:

- **Asset growth increases** from 7.58% to 8.64% annually.
- **Membership growth jumps** from 1.62% to 3.05% annually.

A merger of equals between two mid-sized credit unions can deliver (again if they are performing according to peers) member value improvements of 20-40 basis points across multiple metrics, while also nearly doubling their membership growth rate and increasing asset growth by more than 100 basis points.

The Growth Challenge

For credit unions trying to achieve scale through organic growth, the math is daunting. A $700 million credit union growing at a solid 7% annually would need more than 10 years just to double in size to $1.4 billion. Meanwhile, competitive pressures intensify, technology demands accelerate, and regulatory requirements grow more complex every year.

The membership growth data reveals an even starker reality. Most smaller credit unions aren't growing; they're shrinking. Nearly three-quarters of credit unions with assets under $50 million (and even a quarter of credit unions with $500 million-$1 billion) have lost members over the past five years. This creates a vicious cycle where declining membership makes it even more difficult to achieve the scale necessary for competitive pricing and service delivery.

The Succession Planning Connection

When we examine this data, the question that comes to mind is: If you're on the board of a credit union and you're hiring a new CEO, will they be able to improve these numbers significantly? Even if you hire someone in the 90th or 95th percentile in terms of talent, are they going to move the needle on your cost structure or your ability to offer competitive rates?

These trends create a critical context for succession planning decisions. Even the most talented CEO faces structural challenges at smaller institutions. They're working with constrained marketing budgets that can't move the awareness needle in competitive markets. They're operating with expense ratios that make it difficult to invest in technology or attract top talent. Most importantly, they're often fighting a losing battle for membership growth.

Strategic mergers during succession planning provide a way to overcome these constraints more quickly. Instead of hiring a CEO who will spend years trying to overcome structural disadvantages, boards can partner with institutions to achieve the scale necessary for sustainable success.

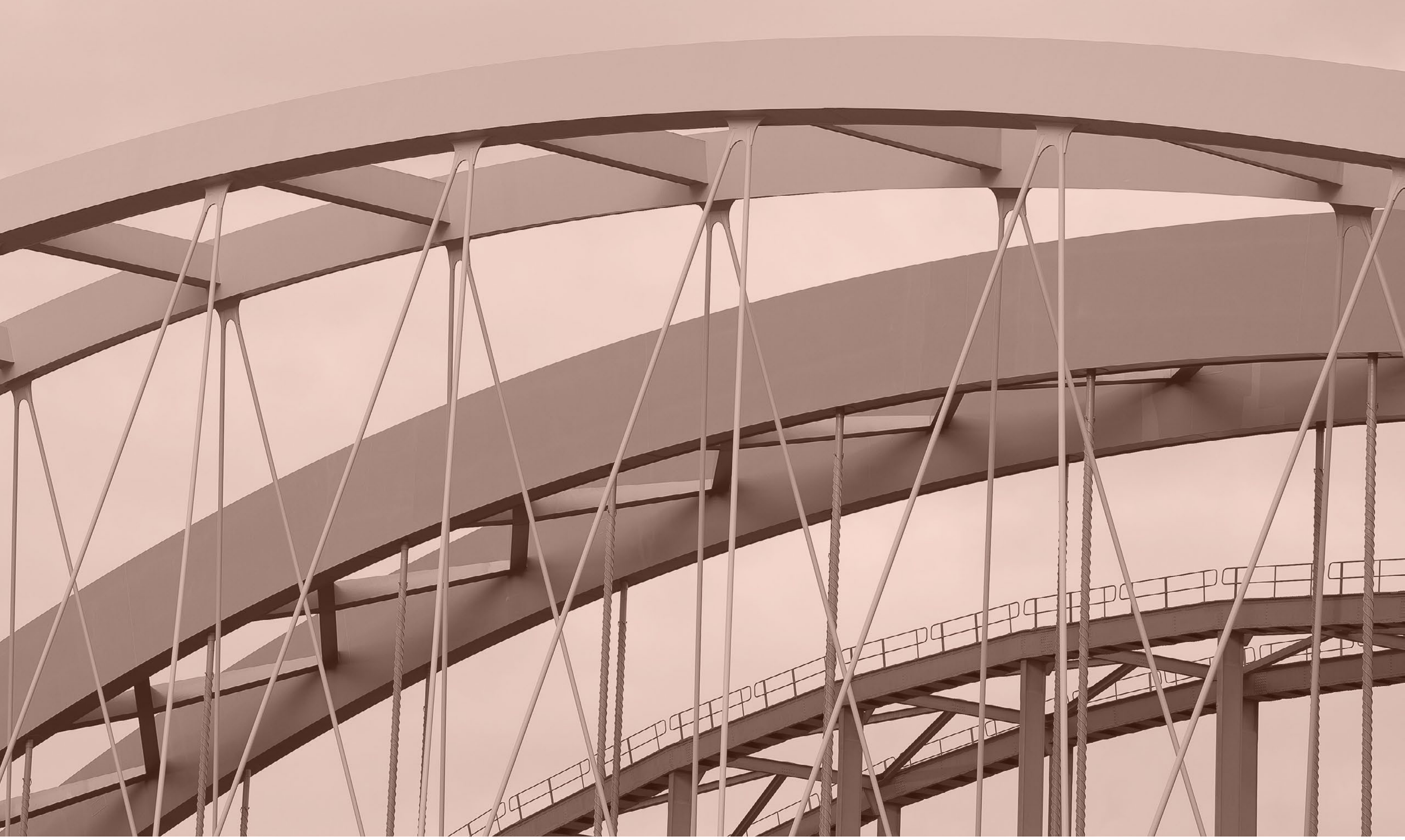
The question isn't whether your credit union will eventually need greater scale—the industry consolidation data makes that clear. When you can move to those higher asset brackets, that's where you see the dramatic differences in what you can deliver to members.

Large Credit Union Succession Challenges

Even billion-dollar credit unions face succession planning pressures that make strategic mergers an attractive option. The challenge isn't just finding a CEO—it's finding exceptional leadership while positioning the institution for the next phase of growth. When First Technology Federal Credit Union, Marlborough, Massachusetts, faced Greg Mitchell's planned 2025 retirement, the board's CEO search evolved into strategic merger discussions with Digital Federal Credit Union, San Jose, California. The merged credit union will have $28.7 billion in assets, with DCU's Shruti Miyashiro named as the president and CEO of the newly combined credit union.

In 2020, Firefly Credit Union and TruStone Financial Credit Union merged to create a $3.4 billion credit union with branches in Minnesota and Wisconsin. TrueStone CEO Tim Bosiacki retired, and Firefly President/CEO Dale Turner stayed on as the combined CU's new CEO.

This pattern is becoming more common. Large credit unions recognize that merger-driven succession can deliver both exceptional leadership and immediate competitive advantages that traditional hiring cannot match.



Barriers to Strategic Mergers

Let's be honest about why boards and management teams resist merger conversations, even when the strategic case is compelling. These aren't irrational concerns—they're very human responses to significant change. Understanding them is the first step to addressing them constructively.

Board-Level Obstacles

The most significant barrier I see with boards is simple: They like being in control of their destiny. This is easy to understand. Board members have often spent years, maybe decades, building relationships and shaping their credit union's culture. They've developed policies and governance practices of which they are genuinely proud. The thought of sharing that authority or potentially losing it altogether feels like giving up something they've worked hard to create.

Then there's the practical side. Board members worry about their positions. Will they have a seat on the combined board? What about seniority? If they're currently getting paid for board service and the acquiring credit union doesn't compensate board members, that's a real financial consideration for some people. It might not be the primary driver, but it's undoubtedly a factor they have to think about.

There's also governance pride. Board members have fought hard battles over the years to implement sound policies, strong oversight, and effective committees. They don't want to step backward in areas where they feel they've made real progress. The fear is that they'll end up in a governance structure that's not as sophisticated or member-focused as what they have built.

Executive Team Concerns

The executive team faces different but equally real challenges. If you're the CEO and not near retirement, the idea of relinquishing your position and the accompanying compensation can be quite daunting. Even if you might have a shot at running the combined organization, there are no guarantees.

The succession planning aspect becomes quite complicated. Maybe you've been grooming your CFO to take over in a few years. Now, what happens to that person? You've got staff members who have been working toward advancement, and suddenly those opportunities might disappear or look very different. Understandably, a CEO would be reluctant to disrupt the career paths of people they've invested in and care about.

The question of status is real, too. Being CEO of a $300 million or $3 billion credit union comes with a certain standing in the community. You're known, you're invited to things, you have influence. That changes when you become a regional president or EVP at a larger organization, even if the compensation is better.

Cultural and Emotional Factors

The employee piece is probably the most emotionally charged barrier. Credit unions are people-oriented organizations, and management teams genuinely care about their staff. They worry about job security, changes in benefits, and disruption to workplace relationships that have been built over the years.

You also have to consider the other stakeholders in the executive management team. Many of these executives have probably been through a process of getting prepared to be a successor CEO, perhaps over a multi-year period. The board often has strong relationships with those executives and wants the best for them. That can put blinders on when considering the merger option. Appropriately, they want to do the right thing by their staff. But that might not be in the members' best interest.

Then there's organizational identity. Credit unions often have strong cultures and histories they're attached to. The sentiment "we know our members by name" comes up frequently. Board members worry that joining another organization means losing that personal touch, even though realistically, most members interact with the credit union digitally rather than face-to-face.

The attachment to independence runs deep. There's genuine pride in running your own shop, making your own decisions, being the institution that members turn to when the big banks don't serve them well. Giving that up can feel like losing something fundamental about who you are.

The Reality Check

Here's what I've learned over the years: these barriers are strongest when you're trying to merge with a sitting CEO who's not ready to retire. But during succession planning, many of these concerns naturally become less critical. The CEO is already leaving. The question shifts from "should we give up control?" to "what's the best way to ensure member value for the next 15 years?"

That doesn't make the barriers disappear, but it does create space for more strategic thinking. When boards approach succession planning with an open mind about mergers, they often discover they can address their legitimate concerns while achieving something much bigger for their members.

Overcoming Merger Barriers

The barriers to merger consideration are real, but they're not insurmountable. There are proven strategies that credit unions can implement to address these concerns proactively, and many of them come from lessons learned in the banking industry.

Change-in-Control Agreements

One of the most effective tools for addressing executive team concerns is implementing change-in-control agreements. It's very common to see this within the banking industry—executive teams have change-in-control agreements that can run from one to three years. We don't see that very often within the credit union industry, and when we do, they are rarely on the same scale as what you see in banking.

This creates a problem because executive teams, to a certain degree, are naturally focused on self-preservation in their decision-making process, rather than working in the best interest of their members. Banks have solved this by mitigating some of that self-interest through compensation structures.

Change-in-control agreements provide financial protection to executives when their employment is terminated or significantly altered due to a merger, acquisition, or other major organizational change. These agreements, typically paying up to 2.99 times annual compensation, help ensure executives can make objective decisions about strategic transactions without being influenced by personal financial concerns.

The key is putting these agreements in place before you need them. When a merger opportunity arises, it is too late to address executive team concerns about financial security. However, when these protections are in place upfront, it removes a significant barrier to objective decision-making.

Policy Framework for Merger Consideration

Boards need to address how they will handle merger opportunities in advance, not when they're in the midst of emotional decision-making. It's essential to establish policies that require openness to considering not only being an acquirer, but also mergers of equals or mergers involving a larger entity.

The board should have clear requirements regarding acting in the best interest of members and showing due diligence in fully considering merger opportunities. Having policies or guidelines in advance of merger opportunities helps eliminate some of the fear that arises once a proposal is actually in front of you.

This isn't about forcing mergers—it's about ensuring that boards fulfill their fiduciary responsibility to consider all strategic options objectively. When boards act emotionally because of an unexpected merger discussion, they may make decisions that aren't in the long-term interests of their members.

Board Education and Fiduciary Responsibilities

Part of being prepared is education. The board should be highly educated on the entire merger process. This helps board directors navigate these complex decisions. Too many boards approach merger conversations without understanding the regulatory process, the timeline, or their real options.

Ultimately, the board must make decisions that are in the best interest of its members. That is their fundamental responsibility. But they can't fulfill that responsibility if they do not understand the strategic landscape or their fiduciary obligations when it comes to merger consideration.

Board education should cover the economics of scale, the competitive challenges facing smaller institutions, and the process for evaluating merger opportunities. When board members understand these dynamics, they're better equipped to think strategically rather than defensively.

Succession Planning Integration

Mergers should be a part of the succession planning process, and boards need to outline how this might be implemented. This is particularly valuable if you're a larger institution and your CEO is nearing retirement. The board should consider whether their next successor will come from within, be recruited externally, or be found through a strategic merger with a high-performing credit union.

Having this openness to explore all those opportunities is essential. Even if you ultimately decide to hire rather than merge, you've done your due diligence in considering what is best for the members.

The key is starting these conversations early. If your CEO is nearing retirement in the next two to three years and you think mergers might be one of the alternatives, begin thinking about which high-performing credit unions have very talented CEOs. Consider whether some of these potential targets would help you get into geographic or industry markets that have been difficult to access, or whether they would strengthen your branch structure or product offerings.

Timeline Realities

One practical consideration is timing. A typical merger process takes approximately nine to 18 months, from the beginning of conversations to the day of legal completion, including regulatory and member approvals. A CEO search process often takes nearly as long when you factor in board preparation, search firm engagement, candidate identification, interviews, and onboarding.

The difference is that with a merger, you are not just solving the succession question—you are also achieving immediate scale, acquiring talent throughout the organization, and positioning the institution for long-term success. With a CEO hire, you are hoping that person can gradually build toward those same objectives over many years.

When boards understand that the timeline investment is similar but the strategic outcomes are dramatically different, merger consideration becomes much more attractive as part of succession planning.

Strategic Succession Models

When boards decide to explore mergers as part of their succession planning, several approaches can work effectively. The key is matching the right model to your specific situation and objectives.

Merger of Equals Approach

This is a common scenario I see when credit unions use mergers for succession planning: You've got two institutions of roughly similar size—plus or minus 30% of each other's asset size or net worth ratio—and one has a CEO who's ready to retire while the other has strong leadership that could run the combined organization.

True mergers of equals focus less on identical asset size and more on complementary strengths and shared vision. The most successful recent examples demonstrate that leadership quality, market position, and strategic fit often outweigh the technical size of the institution.

Identifying the Right Partners

When I work with a credit union, I often receive from the board a short list of credit unions that they'd like to consider as merger partners. We prioritize that list and make contact with the number one choice, saying, "The CEO of this credit union is about ready to retire. Would you be interested in being considered for this position?"

The majority of CEOs, when they know they could be running a credit union twice their size, find that very intriguing. The board might not feel as enthusiastic because they're worried about losing their ability to run the credit union the way they have been. But CEOs generally see the opportunity.

What you're looking for are credit unions with strong financial performance, good leadership depth, and strategic positioning that complements your own. Maybe they're in markets you want to enter, or they have products and capabilities you lack, or they serve industries that align with your growth plans.

Structuring Leadership Transitions

There are a few approaches to handling the leadership transition. You can name the incoming CEO outright as president and CEO from day one, or you can bring them in as EVP or president with the understanding that they'll be considered—along with other candidates—for the CEO role of the combined organization. Another common transition structure splits the president/CEO role with the incoming executive becoming president and the retiring leader staying on as CEO. After the retirement, the president then typically takes over the CEO role as well.

If you go the EVP route, they are not necessarily guaranteed the job, but they are in a good position because they'll have board members from their original credit union advocating for them. They will have demonstrated success in running a credit union, and they will have the opportunity to help shape the integration and culture of the combined organization.

The advantage of this approach is that the credit union is not putting all its eggs in one basket. You can still consider other candidates through your normal succession process. The downside is that you are asking someone to take a significant risk—they are giving up their CEO position without a guarantee of getting the top job at the merged institution.

Some CEOs are only interested in merging with a similarly-sized credit union or larger if they are guaranteed the CEO spot. However other credit union mergers are successfully splitting the president and CEO role into two. I believe this mentality is becoming more prevalent.

As for the larger leadership team in a merger of equals, typically the new credit union combines the leadership teams to include the best of both. And frequently they are able to create new executive roles and departments that didn't exist at either credit union with the extra resources they gain by combining. For example, a new $1 billion credit union may need a senior vice president of innovation or data when neither of the merging $500 million credit unions were able to fund those roles. In this way, a newly merged credit union can find spots for almost everyone.

Contractual Protections

This is where contractual protections become critical. If you are asking a CEO to relinquish their current position to become an EVP with the possibility of becoming CEO, you need to make it financially worthwhile for them.

That could result in a change-in-control payment if they do not get the CEO position, or a longer-term contract at higher compensation than they had at their previous credit union. You want them to be financially protected if they wish to pursue another CEO position elsewhere, and you want to ensure they are not dismissed simply because the new CEO wants to put their own stamp on the organization.

The key is providing enough financial incentive to make someone willing to take that career risk, while also protecting them if things do not work out as planned.

Acquisition Scenarios

Sometimes the succession planning opportunity is less about equals and more about strategic acquisition. Perhaps you are a larger credit union seeking to attract top talent while expanding your footprint and capabilities.

Asset Growth Through Strategic Partnerships

Examining the data reveals the various growth scenarios. As an acquirer, you might achieve 10-30% asset growth, which could take you from, say, $500 million to $650 million or $700 million pretty quickly. That gives you the scale benefits and positions you to compete more effectively.

However, the real value is not only the asset growth, but also the talent and capabilities you acquire. Maybe the target institution has stronger commercial lending expertise, or they're in a geographic market you've been trying to enter, or they have technology or operational capabilities that would take you years to develop internally.

Geographic and Product Expansion

I've seen credit unions utilize acquisition-based succession planning to address multiple strategic challenges simultaneously. Perhaps you're in a slow-growing market and want to find a merger partner in another state with more favorable long-term demographics. Or, you're looking to expand your commercial capabilities and find a credit union with strong business lending expertise, whose CEO is ready to retire.

Most of the mergers I work on are with larger credit unions that want to expand into a new geographic area. They look for a smaller credit union with a retiring CEO in the desired market(s). In these cases, both credit unions win. The smaller credit union solves its succession issue and the larger credit union expands its footprint. And of course the new credit union's members are the biggest winners, with an expanded institution that offers more locations, more products and services, and better rates.

The beauty of this approach is that you're not just solving the succession question—you're also achieving strategic objectives that might take years to accomplish through organic growth.

Success Factors and Implementation

The most successful merger-based succession planning occurs when boards begin thinking about it well in advance of needing it. If your CEO is within two to three years of retirement and you think mergers might be an alternative, start identifying potential targets now.

Look for institutions that would help you get into markets that align with your strategic growth plans. Consider whether they have products and services that could help bring you up a level, or whether they have geographic positioning that would benefit your credit union long-term.

The key is being proactive rather than reactive. When you approach these conversations strategically, with adequate time for due diligence and relationship building, you're much more likely to find the right fit and structure the deal in a way that works for everyone involved.

Remember, this is fundamentally about what is best for members over the next 10 to 15 years. When boards maintain that focus and resist the temptation to make decisions based on short-term comfort or convenience, they often discover that merger-based succession planning yields far better outcomes than they could achieve through traditional hiring alone.

Stakeholder Benefits and Conclusion

When boards evaluate succession planning options, they need to consider the impact on all stakeholders—members, employees, and the communities they serve. Strategic mergers during succession planning can deliver meaningful benefits across all three groups in ways that traditional succession planning simply cannot match.

Member Benefits: The Primary Obligation

The data we've reviewed makes the member value case clear. Through economies of scale, large institutions consistently deliver 30-60 basis points of additional value compared to mid-sized institutions, resulting in lower loan rates, higher deposit yields, and reduced fees. But the benefits go far beyond pricing.

Members gain access to expanded product suites that smaller institutions often cannot afford to offer internally: comprehensive wealth management, robust commercial services, sophisticated treasury management, and trust services.

Many credit unions outsource core competencies such as mortgage lending or small business services or have just one internal staff member to manage those services. What happens when that person takes off for a couple of weeks of vacation? Is your credit union calling during their time off or telling a member they have to wait? Outsourcing can be a good way to get into a new line of business quickly, but without internal champions keeping up on trends can you really say your credit union has that core competency? Without internal commitment, your mortgage or business services risk becoming order takers, reacting when a member comes knocking but not actively growing that business. But with a robust internal program, members get integrated service delivery from their primary financial institution.

Technology capabilities also improve dramatically with scale. Larger institutions can invest in AI-driven services, advanced mobile platforms, and sophisticated digital marketing that creates more personalized member experiences. They can afford to hire specialists and build real competencies around emerging technologies rather than settling for basic solutions.

The branch network effects create better convenience and accessibility. Instead of waiting years for organic expansion, merged institutions can immediately offer members more locations, extended hours, and geographic coverage that matches where members live, work, and travel.

Employee Benefits: Building Stronger Teams

There is a clear correlation between institutional size and employee compensation throughout credit union organizations. Larger credit unions consistently offer better salary ranges and benefits packages. When institutions merge during succession planning, employees often see immediate improvements in their compensation and benefits.

The compensation differences are striking. For example, according to the 2023 CUES Executive Compensation Survey, chief financial officers at credit unions under $100 million earned a median of $109,250, while those at billion-dollar-plus institutions earned $356,738. HR executives see similar jumps—from $97,578 at smaller institutions to $255,472 at the largest credit unions. These aren't marginal differences—they represent life-changing career advancement opportunities.

In addition, career advancement opportunities expand significantly. If you are an employee at a smaller credit union that opens one branch every five to 10 years, your advancement options are limited. Merged institutions typically have more frequent branch openings with more management positions and more diverse career paths available.

The training and development resources available to larger institutions are simply better. Employees get exposure to more sophisticated systems, specialized roles, and professional development opportunities that can enhance their value in the broader credit union movement.

Even the process of going through a merger can be a career boost. I've had employees in the merger process tell me this is the most significant event in their careers. The merger helped them grow and gave them experiences they can take with them to other credit unions. The professional growth that comes from being part of a larger, more complex organization benefits employees throughout their careers.

Board Benefits: Less Risk, Greater Reward

For boards of credit unions facing succession planning, strategic mergers of equals offer advantages that traditional CEO searches cannot match:

Access to Proven Leadership: Instead of evaluating external candidates based solely on interviews and references, boards can assess sitting CEOs with proven track records of successfully running similar-sized institutions.

Immediate Strategic Execution: Rather than relying on a new CEO to gradually implement growth strategies, merger-driven succession delivers immediate scale, market expansion, and capability enhancement.

Risk Mitigation: CEO transitions always carry execution risk. Merger partnerships provide deeper leadership benches and operational redundancy during the critical integration period.

Competitive Positioning: The scale requirements for competitive positioning continue to escalate rapidly. What was once a race to reach $1 billion in assets has become a race to $5 billion, with $10 billion likely becoming the next threshold. Succession mergers can leapfrog decades of organic growth needed to achieve these competitive benchmarks.

Community Benefits: Greater Impact Through Scale

Financially, everyone is constrained by the amount they're able to give to community and charitable causes. The larger you get, the more resources you have to devote to those activities, and the dollar amounts are larger, so the impact in communities can be much greater.

This isn't to diminish the great work that smaller credit unions do in their communities. But scale enables greater impact. A $3 billion credit union can support more community initiatives, sponsor more local events, and provide more substantial assistance during community crises than a $300 million institution.

Branch network expansion can help keep financial services in communities where banks might otherwise close locations. Credit unions have historically been more committed to maintaining community presence, and larger institutions have more resources to sustain branches in markets that might not be immediately profitable.

A Framework for Board Evaluation

Boards considering succession through merger should start with fundamental questions:

Strategic Assessment: Where do we want to be in 10-15 years? What will it take to remain competitive and relevant to our members? Can we achieve those objectives through organic growth alone, or do we need the immediate scale that strategic partnership provides?

Succession Reality Check: Are we looking for the best possible outcome for members, or are we prioritizing our own comfort and control? If we hire the most talented CEO available, can they overcome the structural constraints of our current size and market position?

Member Value Analysis: How do our current rates, fees, and service capabilities compare to what members could access through a strategic merger? Are we serving members' long-term interests by maintaining independence, or would they be better served through partnership?

Stakeholder Impact: How would a strategic merger affect our employees' career prospects and financial well-being? What would it mean for our community presence and charitable capacity?

Final Recommendations: The Time for Proactive Planning

The most successful merger-based succession planning occurs when boards address these questions before they are forced to do so by circumstances. Whether you're a $500 million credit union or a $15 billion institution, if your CEO is within three to five years of retirement, now is the time to establish policies that require full consideration of merger alternatives as part of your succession process.

Board education is critical. Too many boards approach merger conversations from a position of fear or incomplete understanding. Invest in educating your board about industry trends, the economies of scale, and their fiduciary responsibilities in strategic decision-making.

Establish clear policies that require due diligence on merger opportunities, just as you would for any significant strategic decision. Remove the barriers that prevent objective evaluation—implement change-in-control agreements for your executive team, clarify board expectations about acting in members' best interests, and create frameworks for evaluating partnership opportunities.

The credit union industry will continue consolidating, whether individual institutions participate proactively or not. The average credit union of 2040 will be dramatically different from today's average institution. The question is whether your credit union will shape that future through strategic choices or simply react to competitive pressures as they intensify.

For boards willing to think strategically about succession planning, merger consideration offers a path to achieve exceptional leadership, immediate scale, and transformational member value simultaneously. That's an opportunity that traditional succession planning simply cannot match.

The time for these conversations is now, while you still have the luxury of choice and the ability to be strategic rather than reactive. Your members, employees, and community all deserve the benefits that thoughtful, proactive succession planning can deliver.

Ready to explore strategic succession planning for your credit union? CEO Advisory Group can help you evaluate merger opportunities, identify potential partners, and structure transactions that benefit all stakeholders. Contact us at glennc@ceoadvisory.com to begin the conversation.

Glenn Christensen

Founder and President/CEO, CEO Advisory Group

Glenn Christensen is the founder and president/CEO of CEO Advisory Group, the first merger and acquisitions consultancy focusing on the credit union industry. As a visionary and entrepreneurial leader with 30 years of executive-level experience in the financial services and technology industry, he has worked extensively with credit union boards and executive management teams. For nearly a decade, Glenn was senior vice president of the Washington Credit Union League (now Northwest Credit Union Association), a credit union industry trade association. Previously, he held positions at Microsoft, Shared Technology, Pacific First Bank, and Credit Union of the Pacific (now Sound Community Bank).

Glenn has been a frequent speaker and author on mergers, financial strategy, and marketing. He holds an MBA and a Bachelor's in Business Administration from the University of Washington.

CEO Advisory Group serves as a trust-based adviser to credit unions, providing mergers and acquisitions and growth planning. CEO Advisory was the first M&A consultancy with an exclusive focus on the credit union industry. We advise credit unions on mergers with other credit unions and acquisitions of banks. Our goal is to successfully ensure members, communities, board and staff all win in mutually beneficial mergers. CEO Advisory Group, based in Lake Tapps, Washington, was founded in 2000.