

Trancript 140 Bruce Bauer Charitable Donation Accounts

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By Bruce Bauer

Lisa Hochgraf 00:04

You're listening to the CUES Podcast episode 140.

Lisa Hochgraf 00:09

Thank you, CUES Podcast listeners, for tuning in. Today's conversation will provide some great details about a way your credit union can make the most of its charitable giving. And that is by setting up a charitable donation account.

Lisa Hochgraf 00:23

My name is Lisa Hochgraf, and I'm the senior editor for CUES and its Credit Union Management magazine. Here on the CUES Podcast you can hear from a wide range of cross-industry experts discussing trends and topics relevant to you.

Lisa Hochgraf 00:39

In today's episode, which was taped by a former co-worker two months ago, Bruce Bauer defines what charitable donation accounts are, describes how to set one up for success, and tells a few stories about how credit unions have leveraged CDAs to assist nonprofit organizations in fulfilling their missions. Bauer is an executive benefits specialist with CUESolutions provider Cuna Mutual Group. I'm excited for you to hear more about how to help your favorite charity boost your credit unions brand and better your bottom line using CDs. So let's get started.

Host 01:17

Welcome to the show, Bruce. Really excited to have you on.

Bruce Bauer 01:21

Thank you, great to talk with you again and and hope all is well with you.

Host 01:25

Yeah, hanging in there man. We are really chomping at the bit to talk to you today about charitable donation accounts. To get started. Let me ask you, how would you define CDA?

Bruce Bauer 01:37

The definition of the CDA was really defined by the NCUA when they established the regulation in 2013, which allows credit unions to use other investments that were would otherwise not be allowed by

section 703 and 704 to fund donations to a 501 C three charity. So basically, what we're looking at here is the the credit union is allowed to use other investments to put into investment, earn some initial revenue, and have additional revenue that they can steer towards their charities or their foundation.

Host 02:11

Wow, that's amazing. So what are some ground rules for setting up and maintaining a CDA at a credit union?

Bruce Bauer 02:18

So the ground rules are, firstly credit unions can only invest up to 5% of their net worth into the charitable donation account, and then 51% of whatever investment they use. So 51% of the earnings on that investment have to be given to a 501 C three charity or a foundation. Distributions of those earnings needs to be at least every five years. But it's mostly recommended for them to do that on an annual basis. And the board needs to sign an approval on it. There's a document or policy statement attached to it and it's a separate investment they would have on their books.

Host 02:55

Okay, can a credit union donate to any nonprofit organization through its CDA?

Bruce Bauer 03:01

Yeah, as long as it's a 501 C three, charity, really a couple of ways they can they can, they can directly send the money to that charity, or they can put it in their own foundation and then distributed accordingly, how they feel necessary to direct their funds.

Host 03:17

That's very helpful. Who can authorize investment decisions for a credit union CDA?

Bruce Bauer 03:24

Credit unions themselves have the opportunity to do examine all the investments out there for for funding a charitable donation account. They can look at, you know, some very attractive fixed rates. They can look at investments in indexed and indexed accounts. They could have managed portfolios. So how ever, they want to, you know, from a risk tolerance standpoint, how ever they want to fund their charitable donation account, they can do that. And then the account generally has several authorized credit union executives that are named to oversee the plan and look on a regular basis.

Host 03:57

How often can a credit union contribute?

Bruce Bauer 04:00

They can Well, you revolve around that 5% of net worth. So they can they could do it in a one lump sum to start and just have that 5%. You know, as long as they stay within that 5% of their net worth, they can put it all in at once or they can do it on an annual basis as long as they don't exceed that 5% of their net worth.

Host 04:20

Okay. And how often does a credit union need to make a donation through its CDA?

Bruce Bauer 04:26

It is it is recommended that the CDA be done on an annual basis but they do have five they do have that five-year window up they want to if they want to do that. I mean, most credit unions have an expense budget for charitable donations on an annual basis. I mean, that's, that's a regular budget item for them. And if we can come in and build a CDA that earns them some additional revenue, it may take that expense off of their budget and free up some expense for other things or it may give them additional revenue to exceed that budgeted amount and give additional dollars to the to the foundation or charitable donation they would like.

Host 05:03

man, I'll tell you, having come from that nonprofit world myself 20 plus years, this is tremendous information. You know, I mean, I know, having that nonprofit background, and it was always a challenge trying to find creative ways to be able to bring in donations from various donors. So this is a great opportunity for credit unions to be able to really put their dollars towards the impacting the community. What do you love about working on charitable donation accounts with credit unions? And can you tell me a story that illustrates why you're passionate about the aspect of your work?

Bruce Bauer 05:38

I just think from, you know, from being in the credit union marketplace, for as long as I have, it's just, it's just an unbelievable opportunity for credit unions to to build their brand in their community and build their images as they desire, you know, for their, for their credit unions to be looked at. I mean, credit unions have have used CDAs to build facilities that provide free-of-charge financial literacy classes. They've actually built library branches with with CDA dollars. Credit Unions for Kids is a, is a big part of donations. I mean, one credit union, even on their 70th anniversary, provided 70 different wishes to their, to their memberships based on applications and their needs that that they read. So I thought that was pretty good. It's just exciting to hear how the credit union can take these ideas and build plans. And you know, the CEO loves it, because they can build their plan with a credit union vision. CFOs love it because they got additional investment options they can work with. And then the marketing team loves it because it gives them the ability to build ways to help their community and and make their credit unions a place to trust for the for the whole membership.

Host 06:56

Yeah, this is just awesome. And what I found, amazing, I say is, when you and I were talking to the folks and at Symposium last February, and a lot of people don't, a lot of credit unions aren't familiar with it, or at least some of the folks that were in the stands. They weren't familiar with what a CDA is. Some that did reference some of the things that that how they're impacting the community. But I was really astounded when I saw that not a lot of credit unions really know the power of what a CDA can do for them.

Bruce Bauer 07:30

Yeah, it's, I mean, once you listen to and you look at the numbers, I mean, if you can, if you can get additional revenue from the same amount of dollars that they have in an investment right now and earn, you know, some additional basis points. I mean, that's just dollars, that's free money that's sitting there for him that that they can use and, and build, you know, build their community and build their, build their credit union brand. So it sometimes seems to get pushed down the the list of things. I know liquidity is, is a big issue for credit unions right now. So, you know, it's probably pushed down a little bit farther there. But as I said before, it's always going to be an expense. And if we can find a way to offset that expense, or get that expense off your off the credit game books, I think it's a win-win for everybody.

Host 08:16

Wow, truly amazing. All right. Before we get you out of here, we use the we use the end our segment with something called a message in a bottle. That is, if you could put a message in a bottle and send it to your younger self, what would you say?

Bruce Bauer 08:32

That's a, that's a, that's an interesting question. It would make it a lot easier to help the credit unions pick the right investment from the past. So that would be the first thing I'd write in there. But I'm not, I'm not really a backwards thinker. I think that message that I have now and moving forward to understand what the NCUA has provided them. And let's, let's just keep, you know, keep educating credit unions on what the CDA can do. And let's just help them build a creative way to to help charities in their communities help the credit union brand and help the credit unions dominate the community banking space.

Host 09:14

That sounds like a drop the mic moment for me. Bruce, thank you so much for being on the show.

Bruce Bauer 09:20

Oh, it was great talking with you, Tony, and look forward to seeing you again.

Lisa Hochgraf 09:24

I would like to thank you, our listeners, for taking time out of your busy schedules to listen to today's episode of the CUES Podcast.

And many thanks to Bruce for sharing so many useful insights. To get more information about CUNA Mutual CDA product, visit tinyurl.com/cunamutualCDAs

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