

Patronage Dividends

The Real Power of Patronage Dividends

A Mindset of Rewarding Members as Owners in a Way They Value

How can you educate your members on the concepts of cooperative ownership while also helping members with their financial health? Consider paying an ownership or patronage dividend to your members. Pay them for being owners!

If you are sharing your credit union profits by giving slightly higher dividends, lower loan rates, or lower monthly fees, members will not connect the dots that they are actually being paid as a credit union owner. Patronage dividends are a very visible way to call attention to the fact that your members are your owners.

Pay a patronage dividend based on dividends earned to put money back in the hands of your savers. Pay dividends on interest earned as a tactic to reward your biggest borrowers. Pay a dividend based on average daily balance, and you reward your members who are consistently active at your credit union, month after month.

Implement a patronage dividend program to reward members for being a valued, active owner of your credit union in a way they appreciate and notice: a lump sum payment. Members will take note!

“Today’s members are looking for clear signals that they are paid for their ownership, independent of other pricing models like low loan rates or high savings rates. They need to feel that ownership has a direct benefit, easily seen. Patronage Dividends are at the core of motivating cooperative entrepreneurs and activating them within your membership.”

Randy Karnes, CEO, CU*Answers



Look inside for more information

Patronage Dividends

Case Study: Delta County Credit Union

Using the Power of the Network to Share Great Ideas – A Discussion with Brenda Lippens, President & CEO, Delta County Credit Union

Q: Why did your credit union begin paying a patronage dividend?

Prior to giving a patronage dividend, we gave discounts to members on a variety of products and services based on their membership level, but most members didn't even realize they were getting a discount. We decided to pay a patronage dividend to our members because we wanted a way to give back to members in a way that would have more of a "wow" factor. When we paid a lump sum to members once a year, they noticed.

Q: How did you design your program to get it noticed, beyond the dividend itself?

We always pay the dividends around Valentine's Day, and we market it as showing the love to our members. Members who get over \$100 get a personalized letter from me informing them that they have received a patronage dividend and thanking them for their ownership.



**Brenda Lippens, President & CEO
Delta County Credit Union**

Q: What was the cost to your credit union?

We have paid a patronage dividend to members for the last three years. Over these three years, we have returned \$314,000 to members as a dividend. Last year's grand total was \$105,000.

Q: What other benefits do you see from having a patronage dividend program?

We do use our program as a tool to get members to use more of our products so they can get a larger dividend, and this has been a successful tactic. We also have a year-long "pay it forward" program at the credit union, and we encourage our members to pay their dividend forward to make someone else's life a little better.



Patronage Dividends

CU*BASE Makes it Easy to Configure Your Patronage Dividend Program

Pick from One of Two Dividend Options

The CU*BASE Patronage Tools are so flexible that you can reward your members in several different ways:

- **Reward members based on their average balances**
- **Calculate the dividend based on paid dividends or interest (or both)**

Fine Tune the Dividend Payment

- **Use a different rate for different product types** (savings and checking at one rate, closed-end loans at another rate, and LOCs at yet another), all as part of the same transaction.
- **If rewarding based on average balance**, elect to send a qualifying minimum annual average balance by age for savings, loan, or combined balance.
- **If rewarding based on dividends or interest paid**, base your reward on current year or previous year dividends, or reward using one or more quarter's worth of dividend payments (so you can pay dividends in January based on fourth quarter dividends).

Apply Exclusions

Exclusions and limits allow you to create a program that rewards the members you want to reach:

- **Remove certain members from receiving a patronage dividend by selecting exclusions**, including delinquent and dormant status, negative share and below par, selected reason codes or membership designations
- **Base your exclusions on a member's status at any end-of-month**, or at the time you post the dividend

Use Dividend Payment Controls

- Set a **minimum amount a member must earn** to be included

Try Out Your Program

- Before you post, **assess the costs of your program** using the Audit feature

You're Ready to Post Your Dividend!

- **Customize a secondary transaction description** to market to members
- **Reward your valued members!**



Look on the back for Earnings Edge Consulting options for rewarding members.



Earnings Edge Consulting

The Earnings Edge team at CU*Answers can assist your credit union in learning about all of the configuration options for rewarding your members through a patronage dividend. They will review your concept and coach you through the necessary steps to ensure that your members are rewarded for their relationship with your credit union.



Keegan Daniel, VP of Professional Services
Earnings Edge, CU*Answers

“Thanks to the Earnings Edge team and their guidance over the past couple of years we have fine-tuned the patronage dividend program that we pay each year. We are grateful for the expertise that was provided.”

Brenda Lippens, President & CEO,
Delta County Credit Union

To Get Started...

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Learn more about Earnings Edge at
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