

Charitable Donation Accounts



Insurance | Risk Management | Consulting

Maximize Your Philanthropic Program

In the spirit of people helping people, credit unions are actively providing donations to charitable causes and communities. Now credit unions can boost their giving power to designated charities through Charitable Donation Accounts, using investment vehicles with higher yield when compared to typical permissible investments (cash). These high-yield investment vehicles may also provide an additional source of income for the credit union.

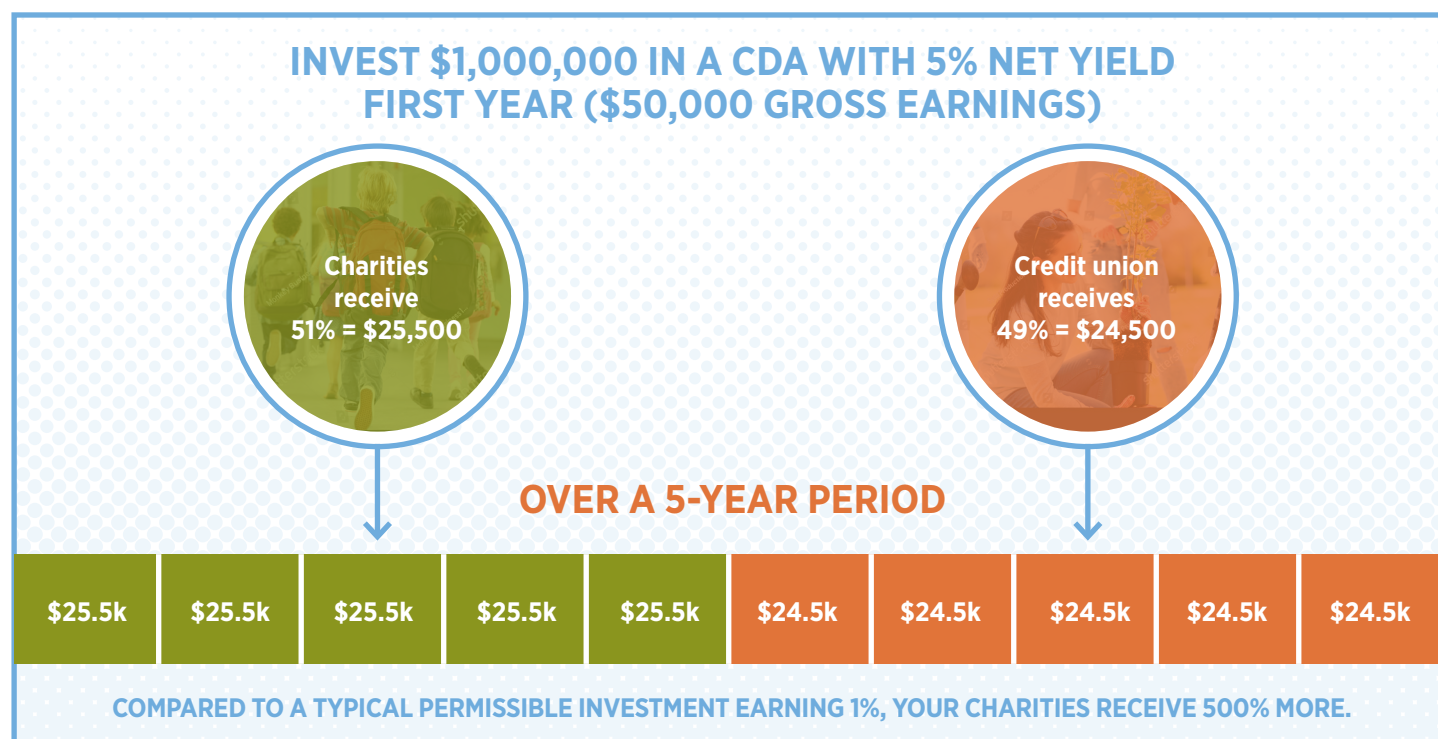
The ABCs of CDAs

What is a Charitable Donation Account?

A Charitable Donation Account (CDA) is a designated account that is a hybrid charitable giving and investment vehicle. Federal credit unions may hold investments within a CDA that are not allowed otherwise, so long as the account is primarily charitable in nature and structured to preserve the safety and soundness of the credit union.

How does a CDA work?

Here's how a \$1M investment in a CDA can provide a bigger donation to your charities of choice:



What are the NCUA requirements for CDAs?

Some key provisions of NCUA Rule Parts 703 and 721 include:

- Assets must be held in segregated custodial accounts that are specifically identified as CDAs.
- Total investment is limited to 5% of the credit union's net worth for the duration of the account.
This 5% is in addition to any otherwise impermissible investments under 701.19.
- A minimum of 51% of net earnings of the CDA account must be distributed to one or more qualified 501(c)(3) charities, at least every five years.
- A CDA receives a risk weight of 100% in the risk-based capital calculation.

Why Gallagher?

Gallagher's Executive Benefits Practice consults with more than 500 credit unions across the country. We specialize in tax-advantaged investment strategies that focus on safety and soundness, as well as regulatory requirements and due diligence.

When you open a CDA, you'll receive a dedicated service team to monitor the account's day-to-day performance and administrative needs. Plus, you can access on-demand policy values and reporting through our online account portal.

If your credit union would like to initiate, increase, or simply formalize a charitable donation program, Gallagher has many investment alternatives available. In addition, we can provide templates and administrative services to quickly and easily establish a CDA program.

FOR MORE INFORMATION, CONTACT:

[Rich Brock](#)

National Practice Leader, Executive Benefits

704.264.3355

Rich_Brock@ajg.com

The Gallagher Way. Since 1927.

This material was created to provide accurate and reliable information on the subjects covered, but should not be regarded as a complete analysis of these subjects. It is not intended to provide specific legal, tax or other professional advice. The services of an appropriate professional should be sought regarding your individual situation.

Gallagher Benefit Services, Inc., a subsidiary of Arthur J. Gallagher & Co., (Gallagher) is a non-investment firm that provides employee benefit and retirement plan consulting services to employers. Securities may be offered through Kestra Investment Services, LLC, (Kestra IS), member FINRA/SIPC. Investment advisory services may be offered through Kestra Advisory Services, LLC (Kestra AS), an affiliate of Kestra IS. Certain appropriately licensed individuals of Gallagher are registered to offer securities through Kestra IS or investment advisory services through Kestra AS. Neither Kestra IS nor Kestra AS are affiliated with Gallagher. Neither Kestra IS, Kestra AS, Gallagher, their affiliates nor representatives provide accounting, legal or tax advice. GBS/Kestra-CD(350807)(exp062021)