Dividend Setup

The Dividend Setup selection allows the credit union to make changes to an existing dividend setup screen or to setup a new dividend screen. Also, dividend setup screens that are no longer needed can be removed from the system using this screen.
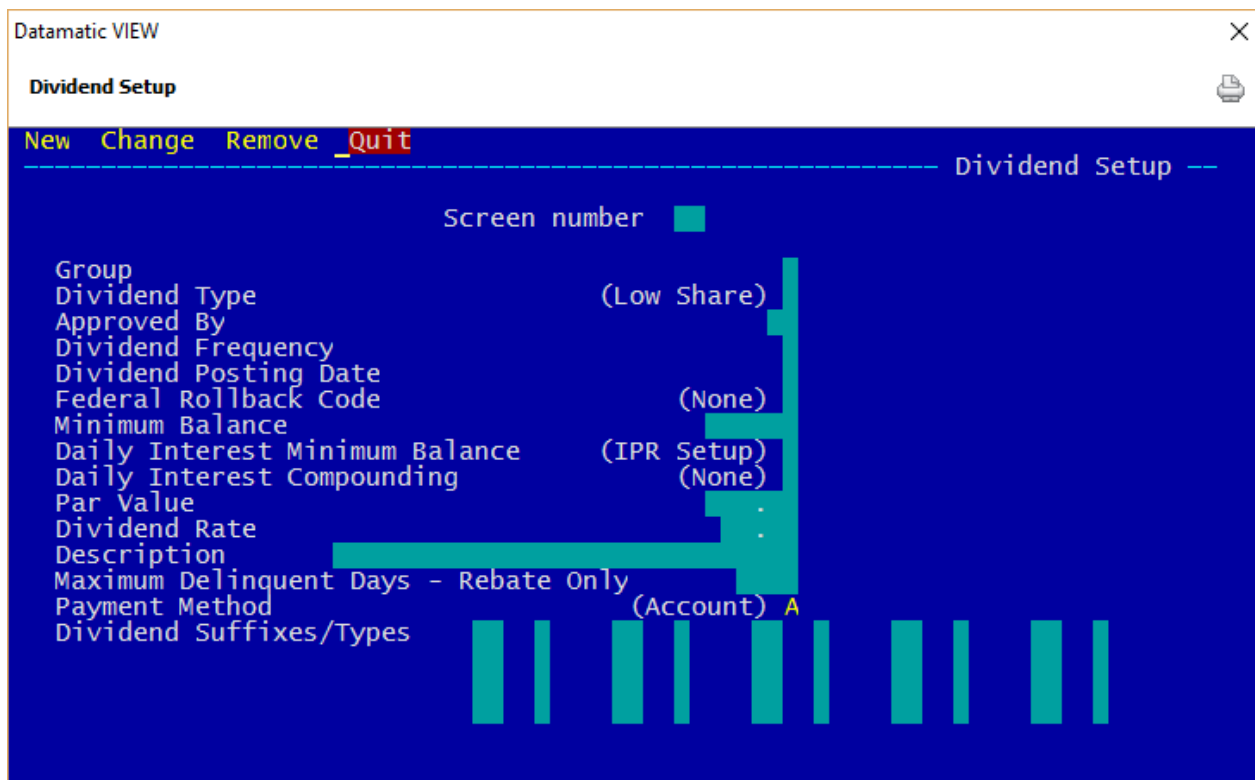
Example below.

Figure 1

Select **"New"** to add a new dividend setup screen to the system. Enter the screen number and press enter. Fill in the desired options and press enter. Select "Yes" in the upper right corner of the screen to process and press enter.

Select **"Change"** to make a change to an existing dividend setup screen currently on the system. Enter the screen number and press enter. Make the needed changes and press enter. Select "Yes" in the upper right corner of the screen to process and press enter.

Select **"Remove"** to remove a dividend setup screen from the system. Enter the screen number and press enter. Select "Yes" in the upper right corner of the screen to process and press enter.

Note: The initials of the employee must be entered in the **Approved By field when either the "New" or "Change" selections are made, in order to process the screen.

Description of fields

Group - Enter the Group with which the dividends are associated. The following are Groups and descriptions that are pre-defined by the system.

These Groups can be setup to post automatically in the Automated Operations Calendar Setup.

Group E = End of Month (or quarter, etc.)
Group F = First of Month (or quarter, etc.)
Group W = Weekly
Group B = Annual Bonus Dividends (12-31)
Group J = Annual Interest Rebate (12-31)

Annual Christmas Club Dividends must be manually computed and updated.

Group C = Annual Christmas Club Dividends

**Note: If other Groups are used that are not listed above, they must be manually computed and updated.

Dividend Type - The Dividend Type indicates how the dividend will be calculated. The options for this field are:

A = Average Daily Balance
B = Daily Interest Split Rate
C = Bonus Dividends
D = Daily Interest
E = Average Daily Balance Split Rate
F = Average Daily Balance Plateau
I = Interest Rebate Dividend (increases YTD on 00 suffix)
J = Interest Rebate - Reduces loan YTD
L = Daily Interest Plateau
S = Low Share Split Rate (not used anymore)
P = Low Share Plateau (not used anymore)
blank = Low Share (not used anymore)

Approved By - Enter the initials of the person using the screen. (It is mandatory that this be filled in.) The initials of the last initials entered will show on the Display All Screens selection but they will not display on the Dividend Setup screen after the screen is processed.

Dividend Frequency - The Dividend Frequency indicates how often a dividend will be paid. The options for this field are:

W	=	Weekly
M	=	Monthly
Q	=	Quarterly *
R	=	Alt. Quarterly **
A	=	Annually
S	=	Semi-Annually ***

* Quarterly - If the Dividend Posting Date is "End of Month", the dividends will pay the end of March, June, September and December. If the Dividend Posting Date is the "First of Month", the dividends will pay the first of January, April, July and October.

** Alt. Quarterly - If the Dividend Posting Date is "End of Month", the dividends will pay the end of February, May, August and November. If the Dividend Posting Date is "First of Month", the dividends will pay the first of March, June, September and December.

*** Semi-Annual dividends will be paid on 6-30 and 12-31, if the Dividend Posting Date is "End of Month" and Group E is used. Semi-Annual dividends will be paid on 1-1 and 7-1, if the Dividend Posting Date is "First of Month" and Group F is used.

A Frequency of Annual must be processed manually.

Dividend Posting Date - The Dividend Posting Date determines when dividends will be paid. The options for this field are:

1	=	First of Month
2	=	End of Month
3	=	Other

The selection of "Other" is used when manually computing or projecting dividends. (Example: Christmas Club Dividends). Use either the "First of Month" or "End of Month" selection when the system automatically calculates and pays the dividend.

Federal Rollback Code - This selection was used prior to Truth in Savings regulations that went into affect in 1994. It is now an unacceptable dividend practice to use this option.

Minimum Balance-   The Minimum Balance field represents the minimum balance needed to be paid the dividend. The maximum amount that can be entered is $999,999 (no cents).

The Average Daily Balance selections check the average daily balance at the end of the period then compares this figure to the minimum balance field. If the figure is equal or greater than the minimum balance field, the system will proceed in calculating the dividend.

The Daily Interest selections check the Daily Interest Minimum Balance to see if a dividend should be calculated. (see below)

Daily Interest   The Daily Interest Minimum Balance field is only used for Dividend Types of
Minimum Balance-   Daily Interest not the Average Daily Balance methods. The options for this field are:

0	= IPR Setup	For 00 suffixes, the system looks under [Main Ribbon > System Settings > Minimum and Available Setup > Minimum Balance] for the balance required to belong to the credit union. Dividends would be computed for the days that the balance was at or above the Minimum Balance. No dividends would be computed for the days the balance was below the Minimum Balance. For other suffixes, dividends would not be computed for the days the balance is zero.
		Dividends are earned (paid) or unearned based on the option on the Dividend Setup window for **Unearned Dividends**. This determines if the computed dividends will be paid to the member or not.
1	= Entire Period	The system looks at the Minimum Balance amount and computes a dividend based on the days that the account had a balance that was equal or greater than the Minimum Balance amount. Dividends are paid to the member (earned), if the account balance (the balance at the end of the day) was equal or greater than the Minimum Balance amount for every day during the entire period.
		Dividends are unearned if, the account balance (the balance at the end of the day) was less than the Minimum Balance amount at any time during the entire period. Unearned dividends will show on the Dividend Compute Listing and with Dividend Projections.
2	= End of Period	The system looks at the Minimum Balance amount and computes a dividend based on the days that the account had a balance that was equal or greater than

the Minimum Balance amount. Dividends are paid to the member (earned), if the account balance at the end of the period is equal or greater than the Minimum Balance amount.

Dividends are unearned if, the account balance at the end of the period is less than the Minimum Balance amount. Unearned dividends will show on the Dividend Compute Listing and with Dividend Projections.

Daily Interest Compounding -   The Daily Interest Compounding field determines if the dividends will be compounded daily or if the dividends will be based on simple interest. The options for this field are:

D   = Daily
blank   = None (simple interest)

Par Value -   If a Par Value is filled in, the system rounds down the account balance to the nearest increment when calculating dividends. **Example:** If the Par Value were $5.00, a balance of $58.73 would round down to $55.00.

The APY is calculated on the actual balance. The APYE will usually be lower than the credit union thinks it should be and will probably be lower than the actual dividend rate, if this option is used.

This selection was used prior to Truth in Savings regulations that went into effect in 1994. It is now an unacceptable dividend practice to use this option.

Dividend Rate -   The Dividend Rate is entered here. For Split or Plateau Rate screens, press enter after filling in the other options on the Dividend Setup screen. A new screen to enter the Split or Plateau Dividend Rates will be displayed. **(See Example A and B on the following pages.)**

For Daily Interest, different rates can be paid during the dividend period by leaving the Dividend Rate field blank. Press enter and a new screen is displayed to enter the different dates and rates. This screen must be maintained before the end of the dividend period with the correct dates and rates. The dividend will still be paid at the end of the dividend period but at different rates during the period. **(See Example C on the following pages.)**

IMPORTANT: It is highly recommended to do a dividend projection prior to the end of the period to verify that the dividends are calculating as the credit union intends them to be paid.

Description -   The Description field is for information purposes only. The description entered does appear on the history inquiry screen or on member statements.

Maximum Delinquent Days -	The Maximum Delinquent Days field is only used for the Dividend Type of "I" or "J" for Interest Rebates. Enter the number of days for a loan to be currently delinquent to not be given an interest rebate.
Payment Method -	The Payment Method determines how the member will be paid. The options for this field are:

A   = Account
C   = Check**
N   = New Suffix (49) - No longer valid. Do not use.

**The check option can only be used for Bonus Dividends and Interest Rebates.

Dividend Suffixes / Types -	The Dividend Suffixes fields are used to indicate what suffixes will be paid the dividends setup on the screen. The Types field, which follows the suffix, is used if there is more than one screen number setup on the system for a specific suffix. In other words, there is more than one method or criteria in the way that dividends are based on. **(See Examples 1 and 2 on pages 10 - 17 for more information.)**

Example A - second screen for Split Rates.

```
Datamatic VIEW                                                    ×

 Dividend Setup                                                  🖶

 Enter  Quit
 ──────────────────────────────────────────────── Split Rate Screen ──

                    Amount              Rate
            1.       1000              1.25
            2.       2500              1.50
            3.      25000              1.75
            4.     999999             2.00
            5.                          .
            6.                          .
            7.                          .
```

      Figure 2

Split Rates - The first amount should be the minimum balance to be paid a dividend.

In this example:

If the account balance is >= to the first amount, the account gets the first rate.
If the account balance is >= to the second amount, the account gets the second rate.
If the account balance is >= to the third amount, the account gets the third rate, etc.

The entire balance is paid the same rate based on where on the screen the account balance falls.

Note: If using **Average Daily Balance Split Rate, do not leave the first amount blank. Enter at least 1 (for $1.00). The system will not calculate a dividend, if left blank, for this Dividend Type.

Using **Daily Interest Split Rate** will calculate a dividend, if the first amount field is left blank. Suffixes whose balance falls between .01 and the second rate will calculate a dividend based on the first rate.

Example B - second screen for Plateau Rates.


```
Datamatic VIEW                                                    ×

 Dividend Setup                                                  🖨

Enter  Quit
------------------------------------------------------------ Plateau Screen --
                    Amount            Rate
            1.         100             .
            2.        1499           1.00
            3.       49999           1.50
            4.      249999           2.00
            5.      999999           2.25
            6.                         .
            7.                         .
```
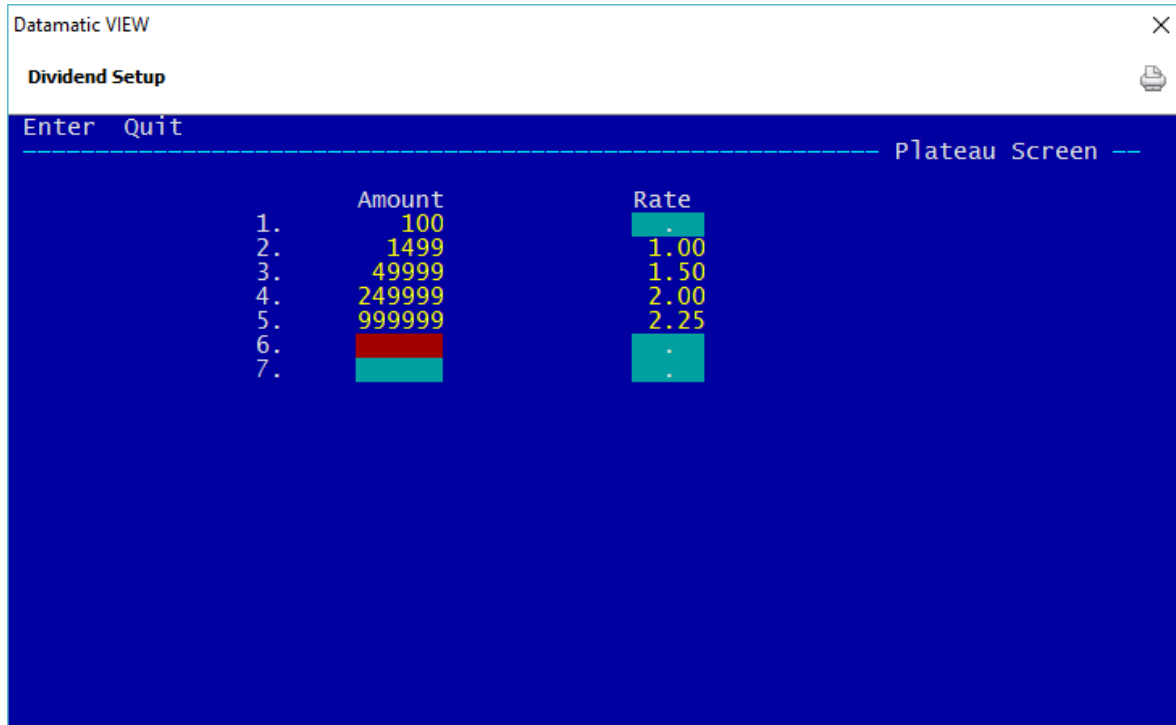
Figure 3

The Plateau Rate pays dividends based on the portion of the account balance that falls into the categories entered.

In the example:

The portion of the account balance that is <= to the first amount, gets the first rate.
The portion of the account balance that is <= to the second amount, gets the second rate.
The portion of the account balance that is <= to the third amount, gets the third rate.
The portion of the account balance that is <= to the fourth amount, gets the fourth rate, etc.

Example C - second screen for Daily Interest and paying different rates during dividend period.
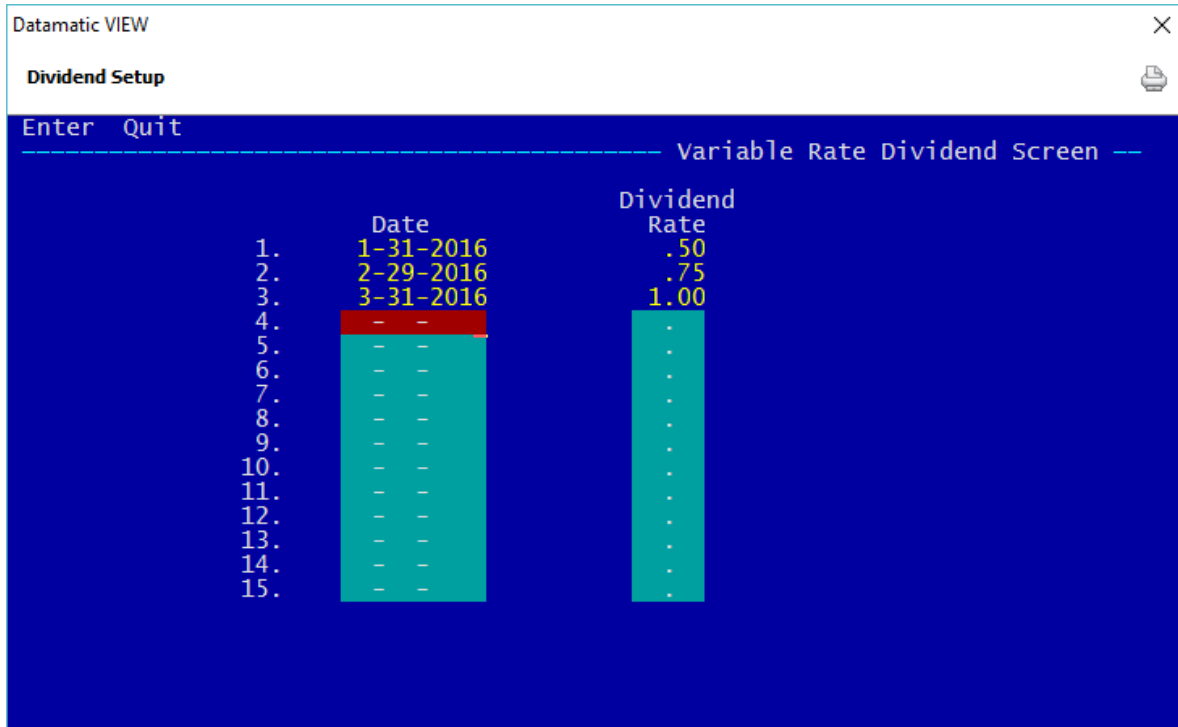
Figure 4

In this example, dividends are paid quarterly to the members. However, January will be calculated at .50%, February at .75% and March at 1.00%.

This could also be done with dividends that are paid monthly. Different rates could be paid each week, etc.

Example 1

Suffix 00 - Regular Share Account

> Members age 19 and over will be required to maintain $300.00 to earn a dividend. (Dividend Setup Screen Number 1)
>
> Members age 0-18 will earn dividends on all funds. (Dividend Setup Screen Number 2)

Dividend Setup screen - Example (for members age 19 and over)
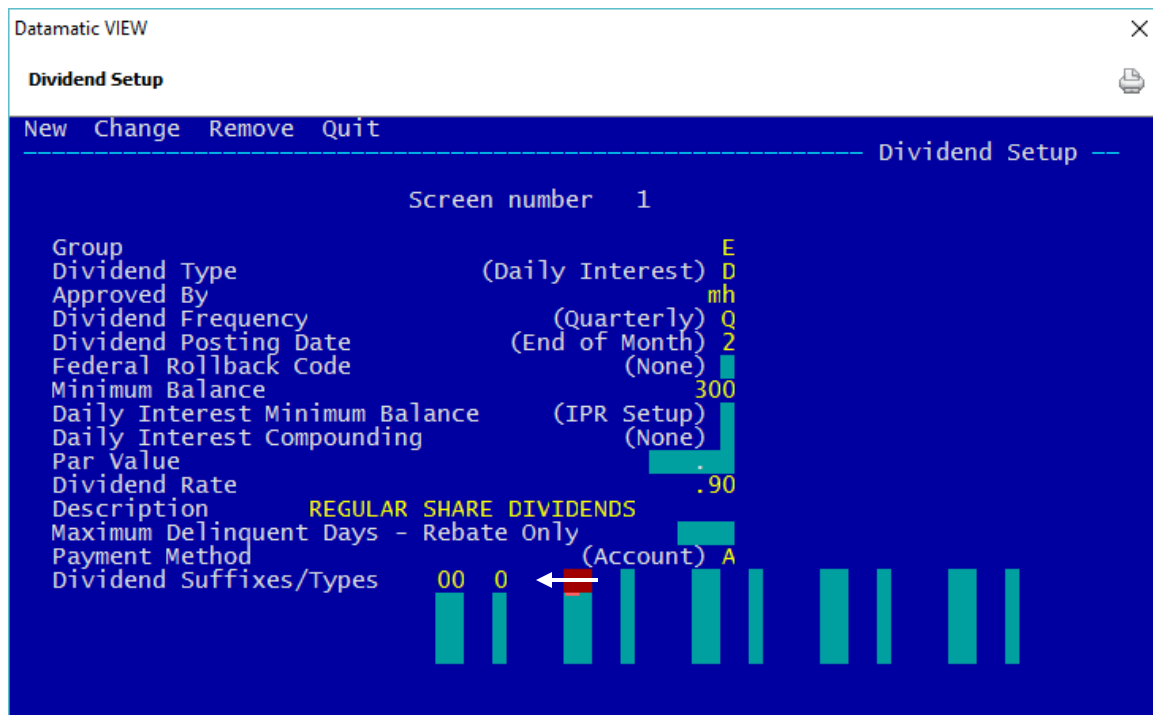
Figure 5

**Note: Do not leave the Types field blank, if more than one Dividend Setup screen is setup for the same suffix. The system will pay dividends based on the screen number with the blank Types field for all of the suffixes listed.

Up to 10 different "Types" (0-9) can be setup for the same suffix.

Example of Add Member Wizard for members age 19 and over. The same thing applies to the Add Share Wizard, also.

Figure 6

Example of Share Suffix Inquiry -

Figure 7

Dividends Setup screen - Example (for members under age 19)
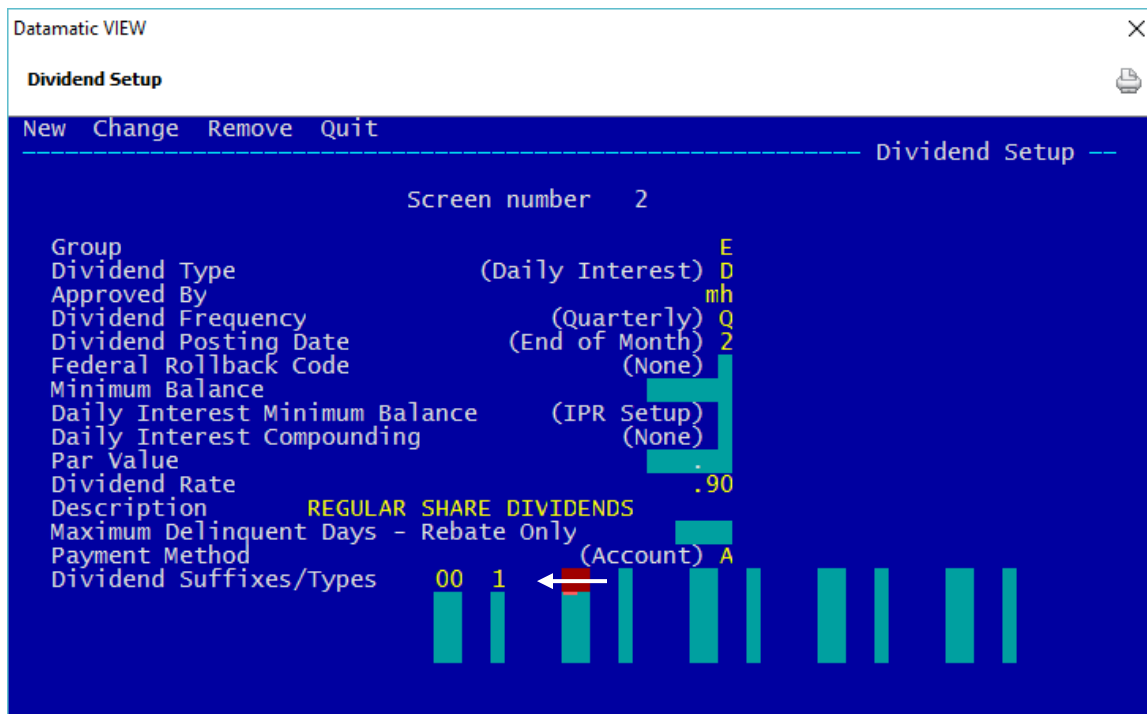
Figure 8

The credit union will need to either keep a list of members under age 19 or use Query (Optional Software package) to find members who are turning 19 in the near future. Also, the Discretionary Data fields on the Member Information window could be used to identify members under age 19 and the Member Labels job could be run. There are several ways that the credit union could choose to identify and code these accounts. The system is paying dividends based on the Dividend Type on the specific accounts not the member's date of birth.

**Note: As members reach age 19, the Dividend Type field (at the bottom of the screen) would need to be File Maintained from 1 to none on the individual suffixes.

Example of Add Member Wizard for members under age 19. The same thing applies to the Add Share Wizard, also.

Figure 9

Example of Share Suffix Inquiry -

Figure 10

Example 2

Suffix XX - Share Account (with no dividends earned)

This example will show how to setup the Dividend Setup screen to enable some members within the same suffix not to be paid a dividend - period.
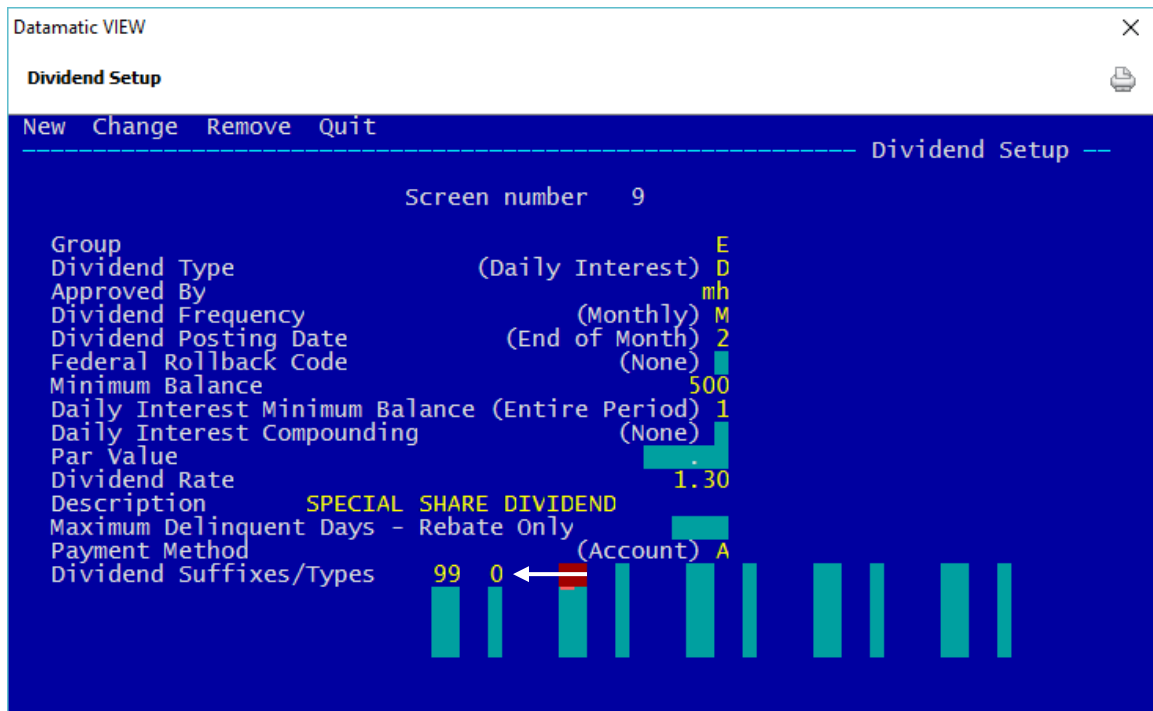
Dividend Setup screen - Example

Figure 11

IMPORTANT: The key here is to enter a zero for the Dividend Type rather than leave blank. If left blank, the system will pay dividends based on the Dividend Setup screen with the Dividend Type left blank. The system will not search for other Dividend Types, if one is left blank.

Members that want to earn a dividend need to be coded with Dividend Type blank (none).

Examples below.

Figure 12

Figure 13

Members that do not want to earn a dividend need to be coded with Dividend Type 1 (or 2-9). Since a Dividend Setup screen is not setup for Suffix XX Dividend Type 1 (or 2-9), no dividend will be calculated to be paid.

Examples below.

Figure 14

Figure 15

These are just a couple examples of how using a **Dividend Type** next to the suffix can be used on the Dividend Setup Screen.

There are many reasons why a credit union may have more than one dividend screen number for the same suffix. The Dividend Projection and Dividend Compute jobs look at the suffixes and screen number when calculating dividends.

- Different methods of calculating dividends (Dividend Type)
- Different Dividend Frequency
- Different Minimum Balance
- Different Dividend Rate