



The Credit Union That Is Different . . . On Purpose!

# CU NOTES

Your Shares Are Federally Insured To At Least \$250,000

December 31, 2014

KNOXVILLE TEACHERS FEDERAL CREDIT UNION

## DIVIDENDS ANNOUNCED FOR FINAL QUARTER OF 2014

The dividends for the fourth quarter of 2014 remain unchanged. All shares in IRA accounts and all other share accounts in excess of \$4,000 earned a dividend of **0.50% APY** and shares below \$4,000 were paid at a rate of **0.15% APY**. Once again, we take no pride in the level of our dividend but we do point out that these rates are about twice the national average rate for one year certificates of deposit. Some commentators are speculating on the timing of the change to the Federal Reserve policies that have resulted in this record low yield on savings. We are convinced that the longer the program, the greater trauma of the change when it comes. The rate paid on deposits in the Deferred Compensation 457(b) accounts remain unchanged as well.

## ANOTHER URBAN LEGEND

The commercial dramas showing attractive mature couples enjoying all sorts of exciting “golden years” activities narrated by equally mature but familiar actors are a standard on current television. There is more to the story than those exciting activities designed to make the viewer envious.

One subtle reference is almost always made to the reassurance that a reverse mortgage is “government insured.” The rest of that part of the story is that the mature couples pay for the insurance and guess who is insured? The mature couple pays for the insurance but it is the lender that is insured! The hefty monthly charge against your home equity balance assures the lender that it will be repaid even if the mature couple defaults on the loan. It does not prevent foreclosure on the home.

How could you default on a reverse mortgage? Living longer than the lender and the actuarial tables expect you to live is one way. Another untold part of the story is that these loans normally carry a very hefty price for origination. “Oh, don’t worry. It will just come out of that equity you have worked hard to build.” There are other considerations. Putting a mortgage on your home for recreational activities seems a bit risky to us. Health issues, maintenance of the home itself and other factors may, in fact, be very valid reasons to tap the value of your home. If those conditions do overcome you, explore all your options. Knoxville Teachers Federal Credit Union has worked with a few of our older members to accomplish a source of monthly income without most of the risks of a reverse mortgage. We have discussed this course of action with older members and often have been able to offer other options that better meet the individual conditions.

Fortunately, most retired teachers are the beneficiaries of a solid pension plan that was crafted some years ago through a cooperative effort of teachers and retired teachers and the State of Tennessee Legislators. This has allowed most members of Knoxville Teacher Federal Credit Union to have a dignified retirement without resorting to a reverse mortgage.

## MANY WAYS TO GET INTO DEBT

Never before in the history of man have there been so many ways to get into debt. The easiest lender is the government. Don’t pay your taxes and you will have a very impressive debt very quickly along with multiple penalties and interest charges. One or more credit cards can promote you to a major debtor.

Knoxville Teachers Federal Credit Union is another place to acquire liabilities. However, we want to help you manage new debt to escape a lifetime of bondage in debt.

	1st Quarter 2014	2nd Quarter 2014	3rd Quarter 2014	4th Quarter 2014	Yearly Average APY
Credit Union Premium Shares	0.50%	0.50%	0.50%	<b>0.50%</b>	0.50%
Credit Union IRA	0.50%	0.50%	0.50%	<b>0.50%</b>	0.50%
Bank 6 Month CD*	0.15%	0.15%	0.15%	<b>0.15%</b>	0.15%
Bank 1 Year CD*	0.24%	0.23%	0.24%	<b>0.25%</b>	0.24%

*(Rates are as of first of each quarter.)*

*The yield rate printed on your statement is the composite rate of your first \$4,000 and the remainder of your share deposit.*

*\*Published by [www.bankrate.com](http://www.bankrate.com)*

## LOOKING FORWARD INTO 2015

Making predictions is a risky and even a dangerous activity. So let us talk about 2015 with no binding predictions.

For the past five years, the experts have predicted a rapid increase in interest rates, usually followed by “in about six months.” Savers have been told, “just hold on because things are about to change.” It has seemed that way for so long that the same feeling is easy to brush off as “not likely.” However, a change must arrive sometime. And, 2015 gives some strong indicators that some inflationary effects will be felt in this new year.

Even though those whose positions and experience deserve to be heard, there are other voices that express fear of a second slump in the world’s economy. These fears are based on volatile energy prices and debt. Debt by nations and private debt remain at all time highs and appear to be growing.

Knoxville Teachers Federal Credit Union is positioned to adapt to “more of the same,” a rise in rates or even a decline in general rates. We do want to point out to savers that our rates of the past three years have continued to out perform CD rates for even long periods of up to three years. These rates are not the main reason to have your savings at Knoxville Teachers Federal Credit Union. The main reason is that your shares are always available to you by withdrawal. Your credit union does not require you to wait for a maturity date or pay a penalty to get your money when the time comes for you to use your money. We believe this is the explanation as to why Knoxville Teachers Federal Credit Union has the largest deposit per member of any credit union in Tennessee.

## KNOXVILLE TEACHERS FEDERAL CREDIT UNION

**East/Downtown**  
711 N. Hall of Fame Dr  
Knoxville, TN 37917  
(865) 582-2700

**Farragut Office**  
147 West End Avenue  
Knoxville, TN 37934  
(865) 582-2701

**North Office**  
108 Hillcrest Drive  
Knoxville, TN 37918  
(865) 582-2702

**Powell Office**  
7315-C Clinton Hwy  
Powell, TN 37849  
(865) 582-2703

**Clinton Office**  
125 Leinart St  
Clinton, TN 37716  
(865) 582-2705

**Oak Ridge Office**  
304 New York Ave  
Oak Ridge, TN 37831  
(865) 582-2710

\*All other locations are open 9-5 weekdays,  
except January 19 (Martin Luther King, Jr. Day)

**Virtual Branch - <http://www.ktfcu.org>**  
24-Hour Telephone Teller - (865) 582-2800

**South Office**  
203 E. Moody Ave  
Knoxville, TN 37920  
(865) 582-2704

**Halls Office**  
3722 Cunningham Rd  
Knoxville, TN 37918  
(865) 582-2706

**Bearden Office**  
410 Montbrook Ln.  
Knoxville, TN 37919  
(865) 582-2707

**Carter Office**  
8709 Strawberry Plains Pk.  
Knoxville, TN 37924  
(865) 582-2708

**Anderson Co. Courthouse**  
100 N. Main St, Room 123  
Clinton, TN 37716  
(865) 582-2709  
(10 - 4:30, Mon - Fri) \*

## ANNUAL ANNOUNCEMENTS

**Real estate interest** is often deductible on your IRS report if you itemize. If you have a loan secured by residential real estate with Knoxville Teachers Federal Credit Union, you can expect a separate mailing of Form 1098 to provide you with your tax information and documentation of interest paid during 2014. No such report will be sent in cases in which the interest amounts to less than \$600 for the year even though it can be deducted.

**Dividend income** will be documented by mailing of Form 1099INT since dividends from your credit union are taxable as interest income. IRS does not require documentation by you or the payer of dividends in amounts of less than \$10. This and the real estate interest form 1098 will be mailed by or before January 31.

**IRA account transactions** and yields for 2014 are reported on your December 31, 2014, statement. (Reminder: any current contribution in a nondeductible IRA must be accompanied by Form 8606 when you file your 2014 IRS report. This is an annual requirement covering current and all past contributions. This reporting is not required for Roth IRAs.) If you made withdrawals from an IRA in 2014, you will receive a form 1099R before the end of January.

If eligible, you may contribute up to \$5,500 for 2014 until April 15, 2015. The limit is increased for members over fifty years of age to \$6,500. (Any contributions you made for 2014 will be reported to you on a form 5498 that will be sent to you in May, 2015, to allow us to include any additions you may have made up until the time you file your 2014 IRS tax return. This form is for your records and is not required for your tax return.)

**Deferred Compensation (457)** accounts will be reported to those members who are participating in this Knoxville Teachers Federal Credit Union tax shelter by a separate mailing during January.

**The Annual Meeting of members** will be held at 5:30 PM on February 12, 2015, at 535 Chickamauga Avenue in the Lincoln Park Trade and Technology Center (formerly Lincoln Park Elementary School). This is the eighth year that we have met in this facility. It was selected to provide easier parking, street level entrance and a more suitable meeting room. This facility is easy to locate. Chickamauga connects North Broadway and Central Avenue. The Lincoln Park Building is about one mile from either end of Chickamauga. In the event of weather or other conditions that require the meeting to be postponed, it will be held in the same location and time on February 19, 2015. If further postponements are required, the meeting will be held on the first Thursday when weather and other conditions allow.

**The financial report** for 2014 will be included in the report for March 31, 2015.

**Our snow policy** is pretty simple. If schools are closed for the safety of students and teachers, we assume our owners (teachers and other school employees) want the same safety for their credit union employees. We do have one small difference. We know that there are days when school must be canceled for snow or other reasons and then conditions improve and traffic can move with safety. When this happens, our credit union staff normally attempts to open as many of the locations as possible to serve members. We urge you to call before you start out on a day when schools have been canceled. We will try to be present to serve you.

## HOME MORTGAGES ARE DIFFERENT AT KTFCU

Knoxville Teachers Federal Credit Union has perhaps the longest history of making home loans than any credit union in the Knoxville area. One significant difference is that we do not sell a member's home loan to any outside investors. If you make your home loan with Knoxville Teachers Federal Credit Union, it stays with the credit union until you pay it off or until you sell your home.

There are other differences that may surprise you. If you are ready to make a major change in your life by buying a home, we invite you to discuss your plans with us. We may be your best choice. If not, we will try to assist you in other ways.

## SERIOUS ABOUT GETTING OUT OF DEBT?

Getting out of debt is the same as getting out of bondage. As long as you have debt, a part of each of your work day is working for someone else. If you are serious about getting your personal freedom, then make a plan for your escape.

A good first step is to assess your debts. Some are long range debts to provide for a secure life. That would include payments on a home purchase loan. Since transportation in today's world is a necessity, a car loan might be justifiable if you have no car that is reliable. Notice that last caveat. Buying a car just for the new car smell is an expensive thrill. Some people buy a new car when an older car begins to have an occasional required repair. Even some major repair may not cost as much as one month's payment plus the sales tax on a new car.

With home purchase debt and a short term car loan in hand, we should look long and hard at other debts. Loans for vacation or for every year events such as Christmas should be carefully considered before they are made. If you must borrow to take a vacation, can you really afford it? Perhaps a more conservative few days of relaxation can leave you more rested and with less stress than a trip that lands you in debt until the next vacation. A Christmas loan that lasts until the next Christmas is simply bondage.

If you already have entered in to the bondage of debt it is time for the escape plan! A tried and true method that many credit union members have found successful is to list all debts in order of size. Step two is to pay the minimum on all of those debts except the smallest one. Pay on that debt every dollar you can without missing a meal or having the lights turned off. Get your freedom from that smallest debt and then turn to the next smallest debt. One debt at a time will gain your freedom.

Sure, there will be set backs. A set of tires or a car repair bill will deal you a blow but keep on the plan. Don't add that surprise expense to your targeted debt. Keep to the plan of paying it off completely. We even recommend you celebrate each victory of paying off a loan by a night out or some modest indulgence. It will motivate you to attack the next smallest debt.

Be serious about escaping debt. You'll be glad you did.

## SAVE LIKE YOU'RE SERIOUS

We all know and agree that we should be saving for the future. However only a minority of people actually set out a plan to save. Your credit union offers a good starting point. Just give us a call and say, "I seriously want to save." We will help you start a monthly deposit from your salary. It can be as little as \$10 per month. Not much, you may say. But, if only ten dollars a month is saved, you will have over \$120 at the end of the year that would have been spent and out of your control.

Long range savings in a tax shelter is an even better way to accomplish real savings. Employees of Knox County Schools and Clinton City Schools are eligible to save in Knoxville Teachers Federal Credit Union's Deferred Compensation Plan (457b). These two systems have entered into the simple agreement with this credit union to make their employees eligible. Even during these uniquely low yielding years, that rate has never dropped below two and half percent!

How does Knoxville Teachers Federal Credit Union tax shelters compare with other tax shelters? Your credit union DCP or IRA deposits are not investments. They are savings! The yield over the past two or three years of recovery as reflected in the stock market effect on 403(b), 401k or in mutual funds has been sharply up. Your credit union yields in that period have been more modest. However, your credit union deposits are not subject to potential losses due to stock market panics or losses.

If you are nearing retirement and saving has become a serious matter to you, shifting some part of your savings into safe and federally insured savings at Knoxville Teachers Federal Credit Union is good strategy. Deposits from pension or social security to tax shelters of any kind are not allowed by IRS restrictions.

## SHOPPING ONLINE?

There are many conveniences to shopping on line. But there are disadvantages as well. One is the possibility of fraud. One pattern recently detected is not classified as fraud but borders on it. Even some well known and respected firms have originated some charges that buyers did not want nor order.

It works like this: You shop or even visit an on line shopping site. When you check out or even just log off, a charge may be added for some special service or to join a special group. You may not notice this charge even when you get your bill.

We suggest you contact your credit card provider and ask if there is a service that will notify you when a charge is added with the card not present at point of purchase. Many providers make this service available without charge. (After all, such charges result in losses to the card provider.)

Another precaution is to log on to your account frequently. It is important to challenge the charge as soon as possible. Your success is more likely on a fresh charge than on a stale charge from several months back.

Finally, when your monthly statement arrives, carefully review it for unauthorized charges. When one is discovered by whatever means, your best bet is to contact the card provider. You may be required to sign a statement concerning the charge but it will reduce your cost of enjoying the benefits of on line shopping.