



Standing Up for the Stood Up

# C U N O T E S

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

December 31, 2015

## KNOXVILLE TEACHERS FEDERAL CREDIT UNION DIVIDENDS FOR FINAL QUARTER OF 2015 WERE INCREASED AGAIN

We are pleased to announce that your Board of Directors again has been able to increase the dividend rate. As was pointed out in the previous quarterly newsletter, Knoxville Teachers Federal Credit Union began the current campaign to increase dividends on April 1, 2015. Your officers have a target for dividends. That target is somewhat of a moving target since it has traditionally been the position of this credit union to pay a dividend at a level above the inflation rate. In addition to the volatility of the inflation rate, many commentators have begun to question the calculation of the inflation rate itself. Some claim the real rate of inflation is higher than reported by the Bureau of Labor Statistics. Once again, we are able to move in that direction. There are many contributing factors that allow your Board to make these improved dividends possible. The major factor is the cooperation between members and your managing Board to hold down costs. Your officers and management continue to appreciate that our members select functional service locations that are minimal in splendor in favor of better yields on savings. It is the wise choice. It also illustrates that our members recognize their ownership role.

The dividend for the fourth and final quarter (October 1 to December 31) was **0.58% APY** on all IRA shares and all other share deposits in excess of \$4,000. Shares below the \$4,000 level earned **0.15% APY**. The tax shelter and long term deposits in the DCP 457(b) program continue to earn the premium rate of **2.5% APY**.

The FOMC (The Federal Open Market Committee, often referred to as "the Fed".) increased its rate late in December for the first time in almost ten years. Your credit union began its increase almost a full year ahead of the Fed. As you can see, our increases were not based on waiting to see what the FOMC would do.

Several things delayed payment of even higher dividends over these past quarters. Interestingly, the total net cost of providing federal insurance is the major one. Your credit union must pay a rather large premium to a federal agency for that insurance. That premium is paid from income before the remainder can be used for dividends to the depositing members. Along with the federal insurance on deposits comes an increased level of regulatory compliance. A tremendous diversion of credit union assets to compliance actions drains away resources previously used for dividends. This is not unique to your credit union. Some larger banks report that thousands of employees are now occupied with the same compliance overhead. None of that provides a service to members of credit unions or customers of banks. No checks are written, no loans are processed nor any transaction of any kind is performed by compliance employees. But these are the times we live in. You can be assured that your officers and management are doing everything possible to mitigate these costs to you.

	1st Quarter 2015	2nd Quarter 2015	3rd Quarter 2015	4th Quarter 2015	Yearly Average APY
Credit Union Premium Shares	0.500%	0.550%	0.570%	<b>0.580%</b>	0.550%
Credit Union IRA	0.500%	0.550%	0.570%	<b>0.580%</b>	0.550%
Bank 6 Month CD*	0.15%	0.15%	0.17%	<b>0.15%</b>	0.155%
Bank 1 Year CD*	0.25%	0.25%	0.28%	<b>0.26%</b>	0.26%

*(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)*

## WHEN WILL RATES RESUME NORMALCY?

Quick confession: We don't know. Savings rates historically have been set by some natural laws of economics. The old Law of Supply and Demand being one of the major factors in controlling rates of yields on savings. Currently, the rates on savings are being artificially set by the Federal Open Market Committee (FMOc). The idea being that it would encourage borrowing and investing. Of course, other agencies have set out to make borrowing more tedious for borrowers and lenders and therefore we have had an anemic recovery from the Great Recession.

When our government or governmental agencies are involved, what could go wrong? History fact: Did you know kudzu was introduced by the government to control erosion in the 1930s? How is that going?

## 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 locations are open 9-5 weekdays,  
except January 18 (Martin Luther King, Jr. Day)

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

### South Office

7359 Chapman Hwy.  
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 2015. 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. 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 2015 are reported on your December 31, 2015, statement. (Reminder: any current contribution in a nondeductible IRA must be accompanied by Form 8606 when you file your 2015 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 2015, you will receive a form 1099R before the end of January.

If eligible, you may contribute up to \$5,500 for 2015 until April 15, 2016. Amounts for both years may be increased for members over fifty years of age by \$1,000. (Any contributions you made for 2015 will be reported to you on a form 5498 that will be sent to you in May, 2016, to allow us to include any additions you may have made up until the time you file your 2015 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 Wednesday, February 10, 2016, 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 17, 2016. If further postponements are required, the meeting will be held on the first Wednesday when weather and other conditions allow.

**The financial report** for 2015 will be included in the report for March 31, 2016.

**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.

## YOUR CREDIT UNION IS EVALUATED

Your credit union is evaluated about everyday. We are audited quarterly by our Supervisory Committee, we are examined by federal regulators annually and sometimes more often. And we are evaluated by our owner/members everyday. The evaluations that we pay most attention to are from our sharp eyed members. We welcome all of these evaluations.

Those sharp eyed depositors pay attention to our dividend. Recently one commented on our announcement that we had begun to increase dividends from our lowest on record levels. His comment was that we sounded like Pravda in the darkest days of Communism when they would announce an "increase" of the chocolate ration from one fourth to one eighth ounce. Even with the duplicity to the math challenged, the line to get the ration ended with the supply "temporarily out."

Yes, he would begrudgingly admit that we were about double that of CD rates available in the area and with out the limitations on withdrawals. And, yes, he would acknowledge the fact that we began increasing our rates almost a year ahead of the FED. But he enjoyed our discomfort in his evaluation.

The dividends paid to depositors has been a poor reward for a life time of saving. But once again, we point out that the general artificial rates imposed on savers by various federal agencies has not held your credit union down to the level found in most financial institutions. We are pleased to continue to pay a rate superior to that which members can find elsewhere with the same level of safety and accessibility. We appreciate our members.

## NEED A FRIEND?

Everybody needs a friend. The best way to have a friend is to be a friend. A great way to extend friendship is to remind a fellow teacher that they can have the strength of a thousand other teachers in dealing with the financial challenges that are part of everyday life. A membership in KTFCU is a gift that will definitely keep on giving. A copy of this newsletter will provide them the contact information they will need.