



Owned and Operated by Teachers

C U N O T E S

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

June 30, 2016

KNOXVILLE TEACHERS FEDERAL CREDIT UNION

DIVIDENDS ANNOUNCED FOR SECOND QUARTER OF 2016

Interest rates as set by the Federal Open Market Committee and often referred to as the FED remain a topic of interest in the media. As this is written, much is being said concerning a proposed change. Meanwhile, your Board of Directors have approved a dividend that is **0.58% APY** on all IRA shares and on all other shares in excess of \$4,000. Shares below \$4,000 earned a dividend of **0.15% APY**. These rates, as well as those paid on DCP 457 deposits remain the same as the previous quarter.

Rates set by your Board of Directors are not influenced completely by those rates set by the FED. Instead, the traditional practice has been to pay the best rate possible after meeting the cost of operation and a reasonable addition to reserves to maintain the solvency of your credit union.

ALARMS FOR THE HEARING IMPAIRED

OK, we had to get you to read this so that explains the goofy lead in. Much has been said and written about the scary levels of our national debt. Recently, some have begun to discuss personal and private debt. For those who actually recall past newsletters, you will recall that this newsletter has repeatedly sounded an alarm about the growing personal debt of all age brackets. Even those “old enough to know better” used credit to elevate life styles for some years until the crash of 2008. Since that time, individuals have made efforts to pay down personal debts. This progress has been made in the face of official encouragements to spend in order to stimulate the economy. (What is good for the general economy is very likely to be at odds with the individual family’s interests.)

Knoxville Teachers Federal Credit Union has never encouraged members to go into debt. Yes, we do encourage members to think carefully before increasing debt but we always add, “If you must have debt, use your credit union as your first choice.” We are seeing some signs of a resumption of increasing debt load. So, we repeat our plea. Don’t go into debt that can be avoided but if debt is necessary, call Knoxville Teachers Federal Credit Union first.

So, again we are sounding the alarm to avoid debt. And again, we expect that many won’t hear the alarm. Call on your credit union to help minimize the damage.

CardValet IS HERE!

Download it from your mobile phone’s app store today! It will allow you to:

- Be alerted when your debit card is used
- Turn your card off and on
- Adjust your daily spending limits
- Restrict spending limits based on merchant types
- Limit the card’s use to an area near you
- View recent transactions
- All this and MORE at no cost!

	3rd Quarter 2015	4th Quarter 2015	1st Quarter 2016	2nd Quarter 2016	Yearly Average APY
Credit Union Premium Shares	0.570%	0.580%	0.580%	0.580%	0.580%
Credit Union IRA	0.570%	0.580%	0.580%	0.580%	0.580%
Bank 6 Month CD*	0.15%	0.15%	0.17%	0.15%	0.155%
Bank 1 Year CD*	0.28%	0.26%	0.26%	0.27%	0.27%

(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

TOP 1% – BE ONE!

Much is being said and discussed currently about the top one percent of our economy. Some of our political commentaries vilify those who are in that top one percent. Who are those people in the top one percent?

It depends greatly how the ranking is arranged. The members of Knoxville Teachers Federal Credit Union are in the top one percent!! Yes, it’s true. Members of Knoxville Teachers Federal Credit Union are in the top one percent of all credit unions in the nation when ranked by the amount in savings per member!!

We are proud of that, of course. Who wouldn’t be? The average savings account per KTFCU member is about \$26,000. There are only sixty credit unions in the entire nation with a higher average savings account per member and none in Tennessee!

The stated goal of your credit union is to help each member manage and eliminate debt and to then assist each member to acquire and safely hold assets. The next time you hear about those in the top one percent, pause and give yourself a pat on the back.

KNOXVILLE TEACHERS FEDERAL CREDIT UNION

East/Downtown

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

South Office

7359 Chapman Hwy.
Knoxville, TN 37920
(865) 582-2704

Farragut Office

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

Halls Office

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

North Office

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

Bearden Office

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

Powell Office

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

Carter Office

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

Clinton Office

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

Anderson Co. Courthouse

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

Oak Ridge Office

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

All locations are open 9-5 weekdays,
except July 4 (Independence Day) and
September 5 (Labor Day)

Virtual Branch - <https://ktfcu.org>

24-Hour Telephone Teller - (865) 582-2800

A NEW BLACK MARKET?

Black markets are an interesting phenomenon. They come and go. But it seems there is always a black market of some commodity or service. The oldest Americans can remember black markets existing to “get around” rationing of critical materials during World War II. Almost any commodity can be purchased when a shortage exists if you are willing to pay the price.

When considered, there is almost always one element present when a black market is created. That one element is an official restriction on the availability of a commodity or service. Bootlegging seems to have disappeared about the same time government dropped local prohibition on the sale of alcohol. When cigarette taxes increased, a black market for untaxed tobacco products came alive. The actual cost of producing illegal drugs is often miniscule. It is the official attempts to restrict them that entices the illegal delivery that makes the cost in dollars so high. (The cost in human misery is not made a part of this topic.)

One unintended consequence of governmental efforts to “clean up banking and debt” is the emergence of a black market of sorts in lending. Legislation such as the Dodd-Frank Law has made the traditional lenders such as banks and credit unions so fossilized by layers of documentation and structuring that non-traditional lenders have filled the need for many borrowers who require rapid response and are willing to pay for it. Those non-traditional lenders range from “payday lenders” who flagrantly charge triple digit interest to on-line sources for credit for larger borrowers but still at a premium.

Can we really call those lenders “black market?” Perhaps not. Maybe they are the new wave of how innovators will find a way around official restrictions. Will borrowers pay more? Sure! But they are filling a market need.

Hopefully, thoughtful future legislation will soon allow for the free flow of credit to serve all Americans at an open market price.

ABOUT NEGATIVE INTEREST RATES

Well, maybe we should say “a little bit about negative interest rates.” Most borrowers would cheer if interest rates went negative. Savers would not be happy, of course. Let’s start by saying that we don’t predict or expect negative interest rates but, then, we were really, really surprised by the bombing of Pearl Harbor. (Of course, that was supposed to be a surprise, after all.)

But, back to negative interest rates. If interest rates go negative, it follows that dividends paid on savings would be negative as well. Some economies of the world have already dipped their toes in that particular pool with some surprises that were not expected. Most of those economic planners predicted that depositors would withdraw some of their savings and spend the economy back into prosperity!! (Hey, Happy Days are here again!) Some feared that depositors would withdraw savings and deposit them in the good old reliable mattress or the fruit jar in the back yard.

Neither scenario followed with much gusto. Most savers just hunkered down and hoped for a return to normal times. “Normal times?” What does that mean? We are in the future, folks. We are NOT in Kansas.

If negative rates hit the U.S., we will all have to adjust our thinking. First a bit of vocabulary building. “Interest” is “RENT”. Back in the old days, you would take your money to the bank and they wanted it so badly that they would pay you interest!!! Then the bank would find people who wanted the money so much they would pay the bank to use the money and pay rent to the bank. (Bankers, being clever, would charge a rental rate that was MORE than the rental rate they paid the depositors for that same dirty money.) That was the way it was way back then. There was a law called the LAW OF SUPPLY AND DEMAND.

Now to the new world that appears upside down. The LAW has not been repealed. (It was not a congressional law to start with.) If you own a commodity that is in abundance, that law still controls things but RENT is still involved. (Remember “rent” and “interest” are the same thing.)

The owner of the commodity must find storage somewhere for his excess supply. Bankers now realize that they have something that is needed – a place to STORE that excess commodity called “money.” (They still have those big iron boxes called safes.) So, they will store your stuff but they will charge you storage fees. Bankers will prefer to call it negative interest. (More dignified.)

People with stuff know they must store the stuff when it is too big to keep in the house. People have been paying boat storage for years. Folks have paid to rent safety deposit boxes for many years. Many people have rented storage space for years for furniture, tires too good to discard, books and stuff and more stuff. Just a handful of years ago, the fastest growing industry in the country was construction of storage facilities. (How far would you have to drive to the nearest storage facility? Our guess is that it’s about the same distance to the nearest bank.)

OK. You get the idea. Again, we are not predicting negative rates on savings but we need to be adjusting our thinking – just in case. There’s one adjustment you won’t have to make. You can be positive that Knoxville Teachers Federal Credit Union members will be given the best membership rate and consideration no matter how negative the conditions of the world become. You can be positive that your credit union will be the last place to go negative. Have you suggested your credit union to your co-workers?