



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

# C U NOTES

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

September 30, 2018

KNOXVILLE TEACHERS FEDERAL CREDIT UNION

## DIVIDENDS ANNOUNCED FOR THIRD QUARTER OF 2018

Your Board of Directors authorized a payment of dividends for the third quarter of 2018 (July 1 through September 30). As in past periods during which yields on deposits are growing, a three tier method of payment of dividends is utilized to address the changing conditions.

All members will see an increase in the rate of dividend. The top tier of deposits earned a dividend of **0.90% APY** on funds in excess of \$25,000. This is an increase in rate and an earlier beginning of payment of the top tier. Funds on deposit between \$5,000 and \$25,000 earned a dividend at the rate of **0.60% APY**. Funds on deposit up to \$5,000 earned a dividend at the rate of **0.20% APY**. This final and lower tier means that all members earned a dividend higher than insured, non-time deposits at other institutions.

We remind depositing members that these rates are in effect for the period of July 1<sup>st</sup> through September 30<sup>th</sup>. We invite your attention to the chart on this page that compares our top rate with the national averages as of July 1. During periods of increasing rates, it is important to remember that KTFCU uses hind sight in paying dividends to ensure that members are receiving a competitive, if not superior rate than offered elsewhere.

We acknowledge that it is possible to find the occasional special rate offered elsewhere. Those rates that are offered to “rate chasers” normally are time deposits that require depositors to give up access to their own funds or require a penalty if funds are withdrawn. Knoxville Teachers Federal Credit Union continues to strive to offer superior rates but to provide members full access to add to or withdraw from deposits when a need arises or an opportunity develops. We have found that members value this feature. We believe it helps to explain why members of Knoxville Teachers Federal Credit Union hold the highest average savings of all credit unions in Tennessee and are in the top one percent in the nation.

## OVER DRAFT PROTECTION IS FOR WRITING CHECKS

More and more members use Knoxville Teachers Federal Credit Union for full banking services including a share draft checking account. Most checking accounts are supplemented by an ATM or Debit card. In addition to the traditional ATM withdrawal, both types of cards can be used to make purchases. From time to time, a member will remember that an overdraft protection agreement is offered by your credit union to assure members will not be embarrassed by a small check that cannot be covered from funds on deposit. When that happens, your credit union will honor the check and record the amount as a loan to the member from the credit union. It is all done inside the membership relationship of your credit union.

Unfortunately, other things happen when “outsiders” are involved. Your plastic cards are connected to your credit union by the VISA network. The overdraft protection provided by your credit union is so unique, there is no provision to accommodate it through VISA. They simply don’t recognize your safety net and cannot automatically access your overdraft line of credit. So when you pump gas or order a steak, your overdraft protection will stand in for you if you write a check but you will not be successful using the VISA connected card. It is all a membership benefit until a third and outside party is involved. We recommend that you manually transfer funds from the loan to your draft account if you expect to use more than you have on deposit.

|                             | 4th Quarter 2017 | 1st Quarter 2018 | 2nd Quarter 2018 | 3rd Quarter 2018 | Yearly Average APY |
|-----------------------------|------------------|------------------|------------------|------------------|--------------------|
| Credit Union Premium Shares | 0.58%            | 0.58%            | 0.80%            | <b>0.90%</b>     | 0.72%              |
| Credit Union IRA            | 0.58%            | 0.58%            | 0.80%            | <b>0.90%</b>     | 0.72%              |
| Bank 6 Month CD*            | 0.17%            | 0.19%            | 0.21%            | <b>0.26%</b>     | 0.21%              |
| Bank 1 Year CD*             | 0.30%            | 0.32%            | 0.37%            | <b>0.44%</b>     | 0.36%              |

*(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.fdic.gov](http://www.fdic.gov)*

## THE TEXTS ARE COMING! THE TEXTS ARE COMING!

Your credit union has spent years looking for efficient and cost effective ways to serve its members. We will soon be introducing texting to replace some items we’ve traditionally sent by expensive “snail mail”. We pledge that we will NOT be blowing up your inbox with promotional offers, come-ons, or other foolishness. These texts will be informational, and customized to you. If we don’t have something important to tell you, you won’t hear from us. Please make sure we have your current cell number.

## 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**  
8537 Asheville Hwy.  
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 October 8 (Columbus Day),  
November 22 (Thanksgiving),  
December 24 (Christmas Eve) and December 25 (Christmas)

## WHERE'S THE NEAREST PHONE BOOTH?

We at Knoxville Teachers Federal Credit Union have become concerned recently over the plight of one of our heroes, Superman! The 21<sup>st</sup> Century has not been kind to the Man of Steel. For most of his time on Earth, Superman could rely on making a quick change from his mild mannered blue suit to the very necessary red cape in the nearest phone booth.

Cell phones appear to have made phone booths a relic of the past and our superhero is now faced with an embarrassing need for a place to change. Rest rooms are not really tasteful for such action figures - even those with a changing table. (Changing outfits in an automobile is impossible in modern cars since the friendly bench seats have been replaced by those high tech consoles. We wonder how young people can get close with those consoles but that is a subject for a later newsletter.) What's all of that have to do with Knoxville Teachers Federal Credit Union, you may ask as hundreds of others are asking. (Well, actually four have asked but we are rounding up here, OK?)

Cell phones have foiled the Man of Steel but not the steely members of Knoxville Teachers Federal Credit Union. In fact hundreds of members do use the cell phone to flex the muscles of their credit union membership accounts. Deposits can be made and payments, too. Transfers from savings to checking is a snap on your smart phone. You can send money to the daughter in college faster than a speeding bullet by accessing your credit union membership account by any connected device. You may be thinking, "Hey, not likely. Only those big banks can offer 21<sup>st</sup> Century technology." That is the irony of such things. Knoxville Teachers Federal Credit Union has been offering such services for many years now and well ahead of most of those larger banks and financial institutions. Being smaller and smarter has put us at an advantage for our members.

The next time you don't see a phone booth, think about your credit union. If you *do* find one, it is likely to be occupied by a man in a neat, mild mannered blue suit.

## A DIFFERENT APPROACH. #6

*Your credit union has long acknowledged that we are different – on purpose. This is the sixth in a series of discussion of some of the ways we seek to provide a different benefit to members.*

## WHAT HAPPENS WHEN I GET \$5,000 IN SAVINGS?

One of the biggest differences that members of Knoxville Teachers Federal Credit Union notice is the very radical way that dividends are paid on savings. As far as we know, your credit union is the only financial institution that has a similar method. If you read the announcement of dividends in this newsletter, you will see that all savings, except tax shelters, have a very unusual split rate of yield. For several years, members earned a much higher rate on each dollar in excess of \$4,000. A member with a savings deposit of \$50,000 would earn a higher rate on \$46,000 while the first \$4,000 received a respectable but lower rate. (That change point for dividends was recently changed to \$5,000 and a second change point has been included.)

Most other financial institutions pay a lower rate on savings but will agree to a higher rate if the depositor will agree to purchase a certificate of deposit for a specified time. For the typical certificate, the depositor must agree that the funds remain with the bank a year or more. If the depositor must have the funds for an emergency or an opportunity, a penalty is charged at the time of the withdrawal. Usually, the longer the commitment, the higher the rate of yield. Most Americans are accustomed to these arrangements.

The great departure for members of Knoxville Teachers Federal Credit Union is significant. After seeing depositors put all their savings into a certificate to achieve higher yields and then having to pay the penalties and the delays involved to have access to part or all of their savings, your credit union developed a different approach. Operating on the assumption that all savers need to have a pool of ready cash before tying up money in an investment such as a certificate of deposit, your credit union simply began paying a dividend on all funds over the "ready cash" point. No time restriction or fees or penalties were assessed to obtain the higher rate.

By this, members were spared the decision of how much "ready cash" to have on hand. Who knows when a major car or home repair will be necessary. Teachers are too busy to make those minor but key decisions. The next decision was what rates are appropriate for the portion in excess of the "ready cash." Again, the answer was simple. Pay a dividend that is comparable to rates paid for a normal certificate of deposit. Historically, Knoxville Teachers Federal Credit Union has paid a rate between a six month or one year certificate of deposit. (For the past several years, the credit union has paid a dividend that is double or more than certificate yield in the local market.)

Some might call our method of paying dividends odd or even crazy. What has been the result of this departure from running with the crowd? It keeps cost of staff down. There is no need for time being spent reminding members that a certificate is expiring and a replacement is necessary. Members don't have to take time to make decisions or to shop around because they know that they will receive a dividend on savings that is competitive or superior to their other options. One final crazy result is that our members have the highest savings per member of any other credit union in Tennessee. In fact, ranked that way, members in this credit union are among the top one percent in the nation. We're a credit union that is different – on purpose.