



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

C U NOTES

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

March 31, 2021

KNOXVILLE TEACHERS FEDERAL CREDIT UNION

DIVIDENDS ANNOUNCED FOR FIRST QUARTER OF 2021

Over the past quarters and years, your credit union management and Board have struggled to keep dividend rates from sliding as much or as fast as rates have fallen at banks and other financial institutions. Recent additional declines fueled by uncertainties and deliberate actions by the Federal Reserve have continued.

Your credit union has only two sources of income with which to pay dividends. They are (1) interest from loans to members and (2) investments. By law, credit unions are limited in investing in only federally insured investments or in federal debt instruments issued by federal agencies.

Clearly, neither source is currently yielding income for the credit union to allow dividends to be maintained at the higher levels. In addition, your credit union has experienced a phenomenal growth in deposits over the past year. We believe that much of this is the result of members continuing to receive salary income while having fewer than normal spending levels due to the pandemic. In addition to that growth, stimulus checks have flowed into shares. During the third week of March, your credit union received \$3.5 million to be deposited to members' shares from only one stimulus payment!

It is not reasonable to expect that members will suddenly need that amount in loans so we will invest those share deposits into federal agency debt at interest rates lower than the dividend being paid for the first quarter in 2021.

Based on the facts above, your Board of Directors have approved a payment of dividends on shares on deposit at the rate of **0.35% APY** on all shares in IRA accounts and on all shares in excess of \$10,000. Shares less than \$10,000 will received a dividend of **0.10% APY**. (See the comparison chart below.) After years of paying a much higher than market rate on Deferred Compensation Plan 457(b), even that retirement plan must finally see a small reduction in return. Even with the reduction, your return continues to be a rate unmatched in any insured arrangement of which we're aware. See your separate 457 statement for details.

DIVIDENDS: THE FUTURE

Predicting the future is risky. But since we all know that, let's talk about the future but only in the area of dividends. We are hoping that the immediate future will not see a requirement to experience other declines in dividends. However, if conditions continue to follow the present trajectory, further changes downward may not be avoidable.

Some developed countries have been paying negative dividends on savings for the past few years. Japan and some European countries have promised pensions and health care to older citizens while younger wage earners are experiencing higher unemployment. Such factors have dictated negative yields on savings.

We cannot promise anything except that your officers and management are practicing actions to operate frugally and efficiently. Keeping costs down may allow us to avoid future declines or even negative yields. With your help, we will continue to be the best place to save in safety.

	2nd Quarter 2020	3rd Quarter 2020	4th Quarter 2020	1st Quarter 2021	Yearly Average APY
Credit Union Premium Shares	0.70%	0.60%	0.50%	0.35%	0.54%
Credit Union IRA	0.70%	0.60%	0.50%	0.35%	0.54%
Bank 6 Month CD*	0.23%	0.18%	0.20%	0.11%	0.18%
Bank 1 Year CD*	0.34%	0.27%	0.25%	0.17%	0.26%

*(Rates are as of first of each quarter.)
The APY rate printed on your statement is the composite of your share deposit yields as described above.*

**Published by www.fdic.gov*

WHEN THE VIRUS IS GONE

Now that the virus is about to be beaten and you've enjoyed the time with family and close friends, we can start to reflect on how nice it will be to once again be with total strangers.

KNOXVILLE TEACHERS FEDERAL CREDIT UNION

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

South Office
7359 Chapman Highway
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

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

All locations are open 9-5 weekdays,
except May 31 (Memorial Day)

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

STIMULUS CHECK DECISIONS

As this newsletter is being prepared, the first of the first 2021 stimulus checks are being posted to members' share accounts. If you are eligible for a stimulus check, it is on deposit or will be soon. Then the choices must be made. Leave it alone for a future need or spend it to stimulate the economy?

Our advice is to think selfishly. What is best for you? Paying off debt would be a positive step. Saving is option two. Buying a boat and naming it "Stimulus" might not be the best long-term choice.

When those big stimulus deposits are made, your credit union's challenges only grow. We pay dividends on those deposits. Paying off loans or reducing loan balances are good for the individual member but, again, that reduces income with which dividends are paid. Saving to pay your increased income taxes that will follow a large federal spending might be the best choice yet.

So you can readily see, the advice is not self serving, but it is our best advice to members.

A MINOR CHANGE IN LOCATIONS

Your credit union has a larger number of locations per member than most credit unions. While it might appear expensive to have this many branch offices, the facts reveal a more logical plan. This was done to accommodate our widely spread membership by having a location close to their place of work.

One situation requires more explanation. A few years ago, the officers of the Anderson County credit union for teachers and other governmental employees requested that Knoxville Teachers Federal Credit Union assume the assets, shares and members of that credit union. While Knoxville Teachers FCU had an office in Clinton for some time, the office of the Anderson County credit union was maintained as a courtesy to those members who were absorbed into Knoxville Teachers. From that time until now, a curious situation existed in which our new members could continue to receive services at their accustomed location while Knoxville Teachers Federal Credit Union had a full service location only one block away from the Anderson County Court House in which the Anderson County credit union had been located.

The administration of the Court House has developed a need for the office space that we have been using to continue uninterrupted service to those absorbed credit union members.

Beginning in January, we continued to serve both groups from a single location that is conveniently located within a few yards of the Anderson County Court House at 125 Leinart Street.

As a matter of history, a total of three teacher based credit unions have requested to be merged into Knoxville Teachers Federal Credit Union over the past years. Together, we will move ahead.

RUSTED OR BUSTED?

Those may be the best two reasons to buy a car. One truism is that the cheapest car you can buy is the one you already own. But finally, that day comes when that old thing is either busted or rusted beyond redemption.

If you are down to riding your bike to the nearest car lot, remember to give your credit union a call. We do offer automotive loans to members. Let us hurriedly add that these are crazy times. For various reasons, new car dealers can sometimes provide you a lower interest rate on a car purchase. Those reasons include the fact that some dealers are financing cars from funding from foreign banks who are paying depositors negative dividend rates. Or, getting a particular set of cars out of the inventory is an incentive for a dealer to offer rates at a loss to them. There are other quirky reasons that you may find a better interest rate through a dealer. Still call us. We will be glad to look at your deal. If we can't find a reason you should finance through your credit union, we will be glad to congratulate you on finding a good arrangement elsewhere. We want to lend members money but a higher goal is to help members save money.

When you ride your bike onto that car lot (hopefully not wearing those overly revealing bike shorts that we've been trying to get you to discard), know that you have a friend to discuss offerings. When your ride is either busted or rusted, we are on your side.

December 31, 2020

<u>ASSETS</u>		<u>LIABILITIES</u>	
Loans	\$134,650,623	Shares & Deposits	\$209,251,004
Securities (net)	81,127,291	Capital Reserves	27,702,110
Share Ins. Deposits	1,871,997	Misc. Liabilities	24,013
Equipment & Fixed Assets (net)	346,812		
Other Assets	18,980,404		
Total	\$236,977,127	Total	\$236,977,127