

Spring 2020

Empowering Financial Success®

EMPOWERING TIP

Stop working hard for your money and start making your money work for you! With great rates on our Share Certificates and IRAs, you can relax and let your money do the work! Contact us today at **1-800-359-1939** or visit our website at www.cafcu.org/savings.

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Financing a college education

For a lot of American families, the excitement of college acceptance letters arriving in the mailbox is offset by the stress of having to pay the increasing cost of tuition. The process for finding financing can be confusing and intimidating for parents. Thankfully, CAFCU can help walk you through the steps to help alleviate some of the frustration.

STEP ONE > Fill out that FAFSA

Many colleges require that students fill out a FAFSA, or Free Application for Federal Student Aid, yearly. This form will ask for your financial information such as income, investments, savings and taxes, and tell you what, if any, financial aid assistance your child may be able to receive toward their college education.

Even if not required, the FAFSA is an important tool for financing a college education. The decision isn't based solely on income, so even if you believe you make too much to qualify, there may be an offer of assistance for your child. Also, colleges and universities will sometimes have financial help or work study programs set aside for students who don't qualify for aid through FAFSA but still need help paying their tuition.

STEP TWO > Scholarships

Scholarships are free financial aid given to a student for varying reasons. Some are given as part of high school graduation or other events in a student's hometown. There are companies that will run essay contests for scholarships, asking students to write about their product to be eligible.

STEP THREE > Federal loans

If the financial package your student is offered doesn't cover tuition, and your savings and scholarships aren't enough, consider a federal loan before raiding your 401(k), since taking money from your 401(k) will come with taxes and early withdrawal penalties. Also, some federal loans come with the benefit of pushing off the interest rate until after graduation.

STEP FOUR > Traditional loans

These are loans for undergraduates, graduate students and parents that are designed with features that can help pay for an undergraduate or graduate degree when scholarships, grants and federal student loans aren't enough. Visit our website at www.cafcu.org/StudentLoan for more information.



BALANCE offers tools and resources to help you and your student make smart choices about paying for college. Visit cafcu.balancepro.org to learn more.

 **CAFUCU**
empowering financial success®

How to tap the equity in your home

Contemplating tapping into your home's equity? As a homeowner, your home equity (how much of the home you actually "own") is your most valuable asset. One way to put that asset to work is with a home equity loan. Home equity loans are a cost-effective and efficient way of funding a variety of important life expenses.

Put your equity to work for you

Borrowing against the equity in your home offers two major benefits: 1) lower interest rates than most other forms of credit, and 2) the interest you pay may be tax-deductible if you plan to renovate your home.*

Using a home equity loan to help increase your property's value with home renovations is, of course, one way to use your equity. Paying off unexpected expenses and consolidating debt into one, lower monthly payment is another way. You may also want to consider a home equity loan to fund college tuition, or to create unforgettable memories and experiences — such as a wedding or a dream vacation.

Consider your options

There are three basic choices when using your home's equity:

1 | Home equity line of credit (HELOC). This is a credit line with an adjustable rate and interest-only payments for a specified time during which the borrower can access the funds. This option is good for expenses that are paid in installments, such as college tuition. With a HELOC, you only pay interest on the money you draw.

2 | Home equity loan (sometimes called a second mortgage). Home equity loans allow you to borrow a lump sum to be paid back in monthly installments over a specified period. This option is best for major purchases or one-time expenses, such as a home remodeling project. Most home equity loans have a fixed interest rate for the term of the loan.



3 | Cash-out refinance. This option replaces your existing mortgage with a new home loan for more than you owe on your house. You receive the difference in cash to spend on home improvements, debt consolidation or other financial needs.

If you have questions, we're here to help. Contact one of our loan experts today at **1-800-359-1939** or visit our website at **www.caftu.org/HomeEquity**. They'll help you utilize your equity and choose the option that best meets your needs.

* Check with your tax advisor regarding tax deductibility in your situation.



Compare types of home equity loans

	Equity loan	HELOC	Cash-out refinance
Fixed or adjustable?	Fixed	Adjustable (can have an interest-only option)	Either (can have an interest-only option)
Choose when ...	<ul style="list-style-type: none">> You prefer the predictability of a fixed-rate loan.> You want a lump sum of money for a one-time expense.	<ul style="list-style-type: none">> You prefer a line of credit over a lump sum.> You want the lowest rates on your loan.> You need the money fast.> You want to draw money as you need it.	<ul style="list-style-type: none">> You want to refinance to take advantage of lower rates.> You need more than \$100,000.> You're funding a home renovation or consolidating debt.

Credit report vs. credit score: What's the difference?

You've probably heard that your credit report is important. And your credit score. And, well, your credit. But wait, aren't those all the same thing? Or is there a difference? Let's clear up the confusion.

Credit report

A credit report is a collection of your credit activity. It shows your history of paying loans and the status of your accounts. In addition to this financial information, you can also expect to see your name, a history of addresses you've lived at, your date of birth and Social Security number.

You don't just have one definitive credit report. Instead, you have three — one from each of the major credit bureaus, Equifax, Experian and TransUnion. You can

request one free copy of your report from each credit bureau, once every 12 months at www.annualcreditreport.com.

Why check your credit reports? They may contain incorrect, outdated or incomplete information. Correcting any mistakes on your reports is hugely important, since lenders, insurance companies and other parties are able to request copies of your credit report. Plus, information from your credit reports is used to create your credit scores.

Credit score

A credit score is a summary of your credit report in the form of a three-digit number. This number quickly informs lenders on how likely you are to repay a loan.

To generate your scores, the following factors are weighed: Payment history, amount borrowed out of available credit, length of credit history, account diversity and new credit inquiries.

The better these factors, the higher your score. When creditors see a higher score, they're more likely to offer better terms and interest rates for loans and credit cards. So, it can literally pay to improve your score.

Don't be in the dark on your credit score! BALANCE offers free help and education on how to monitor and build up your credit. Contact BALANCE today at **1-888-456-2227** or visit cafcu.balancepro.org to learn more.

Spring clean your finances

It's a great time to reveal a sparkling clean home — and clear the clutter in your financial life, too! Freshen up your finances with these tips:



Polish your budget.

Track your monthly expenses to find out where your money is going and use it to adjust spending and saving patterns for the better.

Clean up your credit.

Check your credit report for errors or fraudulent activity by visiting www.annualcreditreport.com.



Scrub your debt.

Create a plan to pay down debt — refinancing, balance transfers and/or debt consolidation may help.



Boost your savings.

Set up automatic transfers from checking to savings to keep the momentum going.



Get organized.

Designate a space in your home to conduct money management, where bills and other financial documents won't get lost in the shuffle.



Go paperless.

Use online and mobile banking to manage your accounts and reduce paper clutter in your home by signing up for e-statements.

Get a fresh start on your finances with help from CAFCU and BALANCE. Learn more at cafcu.balancepro.org.



Online
www.cafcu.org



Phone
1-800-359-1939



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eNewsletter
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Holiday Closings

Memorial Day

Monday, May 25, 2020

Independence Day

Friday, July 3, 2020

Labor Day

Monday, September 7, 2020



Get the CAFCU app!

Save time and easily manage your CAFCU account anytime, anywhere with our Mobile Banking App. Check account balances, transfer funds, deposit checks, apply for loans, pay bills and find ATMs nearby. Visit www.cafcu.org/app to learn more.



Save \$\$\$ effortlessly with a CAFCU Club Account!

CAFCU makes it **easy for you to save** with our Savings Club Accounts. These are **Specialty Share Accounts** that can be used to save for home improvements, vacations, weddings, holiday gifts, income or property taxes and much more! Contact us today at **1-800-359-1939** or visit our website at www.cafcu.org/SpecialtyShare.



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Do you need GAP insurance?

When you're ready to buy or lease a new car, you might want to look in to purchasing a Guaranteed Asset Protection (GAP) insurance policy. Why? Consider this: The moment you drive a new car off the lot, it starts to depreciate. Most models lose 15–20% of their value in the first year.*

If you finance the car, the amount you owe on the car could be more than the car is worth over the life of the loan. You can run into problems in the event your car is totaled or stolen.

Protect your finances

A standard auto insurance policy covers the depreciated value of the vehicle at the time you file a claim. So, let's say you bought a car for \$28,000, put \$2,000 down and financed the remaining \$26,000. Your insurer might value it at \$18,000, based on condition and other factors. That leaves you owing \$8,000 on the loan and without a car.

Here's where GAP insurance comes in handy — it covers the difference between what standard insurance pays and the amount you still owe on the loan. It might make sense to purchase a gap policy if you:

- > Put down less than 20% on the purchase price.
- > Take out a loan for four or more years.

- > Decide to lease the car (you may be required to have gap insurance on a leased vehicle).
- > Roll over the balance on an existing car loan into a new loan.
- > Own only one car and can't get by without it for an extended period of time (e.g., while it's being repaired or you need to buy another car).
- > Drive more than 15,000 miles a year. High-mileage vehicles can depreciate faster than others.

Get peace of mind

While many dealerships offer gap policies, you'll typically spend much less if you purchase it from an insurance agent. Expect to pay about 5% of your annual comprehensive and collision insurance premium. And you'll only need coverage for the life of the car loan.

When you find that new set of wheels, speak to a CAFCU representative at **1-800-359-1939**. They can give you quotes on both Vehicle Loans and GAP insurance at competitive rates. Learn more about our Vehicle Loan Protection programs at www.cafcu.org/VehicleLoanProtection.

* Source: Money Crashers.

TOP
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retirement fears

Do you sometimes lie awake at night worrying about the future? Perhaps you're concerned about not having enough money to retire or facing major expenses that could drain your life savings. According to the 18th Annual Transamerica Retirement Survey of Workers, workers expressed a range of worries when it comes to their retirement futures.

01



52%

Outliving my savings and investments

02



48%

Social Security will be reduced or cease to exist in the future

03



44%

Declining health that requires long-term care

04



42%

Not being able to meet the basic financial needs of my family

05



38%

Lack of access to adequate and affordable health care

Source: 18th Annual Transamerica Retirement Survey of Workers

At CAFCU, we'll help you face your fears and create a plan for a stronger financial future. Call **1-800-359-1939** or visit www.cafcu.org/IRA to get started.