NEIGHBORHOOD NEWS

NORTHEAST CREDIT UNION

FALL/WINTER 2009 EDITION

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Northeast CREDIT UNION
Your Trusted Neighbor℠

Dear Member,

"When the going gets tough, the tough get going," resonates with Northeast Credit Union (NECU). These unprecedented times have brought enormous opportunities for us to do what we've always done best - provide credit to those who need it most even when it's hardest to come by.

Encouraging thrift and smart borrowing remains our primary focus. We continue to whole-heartedly promote financial literacy among members and non-members alike. Popular sought after subjects such as estate planning, home buyer seminars and how to start or grow a small-business are just a few of the free workshops NECU hosts throughout the year.

In this issue of Neighborhood News you'll find great information ranging from financial products you should be cautious about to how to be a smart Internet shopper. Plus, we've included the second edition of NECU's Brain Teaser crossword puzzle guaranteed to test your knowledge of NECU products and services and other fun trivia.

Whether it's providing loans to help members cover unexpected expenses, offering a better solution on vehicle financing, or giving financial advice, as your trusted neighbor, NECU is here to make a difference for our members and the communities we serve. And, proudly we've been doing this day in and day out for over 73 years.

Sincerely,

Peter J. Kavalauskas

Peter J. Kavalauskas
President/CEO/Your Trusted Neighbor

When Your Income Decreases

Resource: Money Management International

If an illness, injury or job loss causes you to face a financial crisis, do not assume that things will improve quickly. Living as though nothing has changed is the number one mistake people make during challenging times. Instead, try to realistically determine a reasonable amount to pay to your creditors each month.

Remember that not all of your debts equally impact your family. Pay your rent or mortgage first. You must also make arrangements with your utility companies and you must provide food for your family. Please do not be tempted to allow your insurance to lapse.

- First priority debts include your rent or mortgage, tax liabilities, insurance premiums, auto loans, and utilities.
- Second priority debts include secured loans through finance companies.
- Third priority lenders include retailers, hospitals, doctors and credit cards issuers.

Once you have a plan, mail a letter to each of the creditors explaining your situation and how you plan to repay your debt. Tell them that you are unable, not unwilling, to repay. Remember, it is always best to contact your creditors before they have to contact you.

Sit down with your family and discuss ways to cut costs. For example, check out books from the library and rent movies rather than going to the theater. Dining in and avoiding convenience foods can also save you a lot of money very quickly.

In addition to your savings, research other resources you can tap. Do not fall victim to predatory lending tactics; quick cash loans are short-term solutions with long-term consequences.

- Borrow from yourself. While cashing your IRA is not desirable, you can take a short-term loan with no penalties. The only requirement is that you pay back the entire amount borrowed within 60 days.
- Take a good look around you. Most likely, there are many things in and around your home that you could sell for cash. Remember, one man's junk is another man's treasure. Also, if you have the room, consider taking in a boarder.
- Seek employment. Secure a temporary job to help you through this set-back, even if it is not in your field of expertise. If you are married, ask your spouse to do the same.
- Use all available resources. Research all sources of cash. For example, you may have a life insurance policy with a cash value. Collect on monies lent to family and friends.

In addition to your personal efforts, don't be shy about seeking the help you deserve. Contact your local city offices about benefits such as unemployment pay, food vouchers, and utility discount programs.

Buyer Beware

Resource: www.mymoney.gov

Some Financial Products to Watch Out For. Borrow Smart - Be cautious before accepting these "deals"...

1. A **Refund Anticipation Loan (RAL)** is a really high-interest, high-fee loan sometimes offered by your tax preparer. **Be patient**, unlike this taxpayer, Ava:

- Ava's tax preparer tells her she'll get a $2,000 refund but that it could take up to four weeks to get the money. To get the money today, Ava could pay:
- RAL Loan Fee = $75
- Administrative Filing Fee = $75
- Tax Preparation Fee = $100

  —> Total Fees = $250

That's more than 10 percent of her refund on fees she could avoid by waiting. If Ava had her refund direct deposited to her bank or credit union account, she would only wait about a week longer to get her money, but she would save $150 in fees — avoiding a loan with almost 400 percent annual interest!

2. **Rent-to-own services** come from stores renting appliances, furniture and electronics. After the rental period ends, you own the goods. But if you miss a payment, the store will repossess the merchandise even if you've already paid more than what it's worth!

Consider Yolanda... who is enticed by an ad that says, "Get a brand-new living room set for only $10 a week!" – Here's the real deal:

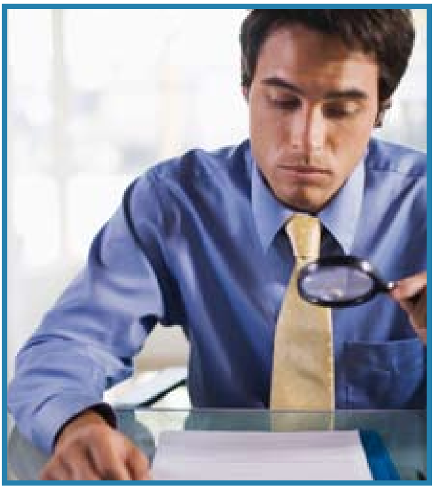
- Rent-to-own price: $10/week for 72 weeks = $720
- Purchase price: $300

Stores with rent-to-own financing services must list the rent-to-own total price and the total purchase price. If Yolanda enrolls in the "rent-to-own" program, she'll pay more than double the cost of the living room set. Instead, Yolanda should shop around for lower cost furniture if she really needs it.

3. **Cash advances** may seem like an easy way to get quick cash, but these loans can cost in excess of 20 percent interest. Fees are steep: 2 to 5 percent of the amount borrowed.

Maurice thought... $200 in immediate cash (available easily) would pay for a pleasant dinner and show with his wife, so he took an advance on his credit card, along with a 4% fee. Maurice's bill will say: Pay $208, plus $40 in interest or $248.

4. Many checking accounts offer **overdraft protection** that enables you to draw money from your account, even if your account balance is $0. Overdraft fees average $30 or $35. That might seem small, but multiple overdrafts add up quickly. **To avoid overdrafts**, ask your bank to tap into your savings account balance when you go over your checking balance. This is usually better than an overdraft charge.



As Juanita will learn…

Juanita has $300 in her checking account and writes a check for $400 to buy some new clothes. Her overdraft protection enables her bank to make the payment and charge her $30 for the transaction. Now Juanita owes the bank $130 for not having the $100 extra in her checking account.

5. **Payday loans** usually are small-dollar, short-term, unsecured loans that borrowers promise to repay out of their next paycheck. All you need to do to get a loan is provide the lender with a check or debit authorization for the amount of your loan plus the finance charge.

Because the loans are so short, the lender charges a fixed fee (finance charge), rather than an interest rate. When this fee is calculated as an annual percentage rate (APR), the cost of borrowing can range from 400 percent to 1,000 percent, or more.

As Winston discovered…

Winston needed to go out of town to visit a family member before his next payday. The airfare is $400, which is more than Winston has saved, so he takes out a $400 payday loan to buy the ticket. The loan required that Winston pay off the loan within 14 days and came with a fee of $74.48. However, the lender would not refund any portion of the fee if Winston paid the debt off early. This means that if Winston pays off the loan within:

- 7 days, when he gets paid, the APR for his loan is 970.90%.
- 14 days, the APR for his loan is 485.45%

If Winston cannot repay the loan on time, the loan is "rolled over" for another two weeks with an additional fee of $74.48. He has already spent $74.48 to borrow $400. Now his cost of borrowing has increased to $148.96 and he is not out of debt yet. He now owes $548.96 ($400 + $148.96), and his APR continues to climb

Many payday loans can wind up keeping the borrower in debt for a long time, due to rolling over loans and taking out new payday loans to pay off old ones.

Alternatives to Potential Problem Products:
Many credit unions and some banks can provide you with a loan or line-of-credit (such as a credit card) to meet your short-term cash needs on a reasonable basis. Ask at your bank or credit union. If you don't currently have a bank or credit union account, consider opening one.

How to Be a Smart Internet Shopper

Resource: Money Management International

Today's internet savvy consumers are turning their computers into personal shopping centers. Since most Internet purchases are made with a credit card, planning is of the utmost importance. If you're going to join the more than 36 million U.S. households who shop online, here are tips to make the most of your money.

Comparison shop. Be sure to take full advantage of your ability to quickly and easily comparison shop products and prices. If you plan to participate in online auctions, start early so you aren't tempted to over-bid at the last minute. Watch for sales and other perks, such as free shipping.

Shop with a list. Make a comprehensive list of all your needs. Use your list when you shop online and buy only those items on your list.

Plan for pay-off. Before you make any purchase on your credit card, you should know how you will pay for it. Keep in mind that a $1,000 charge can take more than 12 years to pay-off if your interest rate is 17 percent and you make only the 2 percent minimum monthly payment.

Read the fine print. Investigate return policies, shipping charges and taxes. You will also want to check delivery dates and review warranties.

Practice safe cybershopping. To prevent fraud, check out any business thoroughly before making a purchase. Only make purchases on a secure server and print out all receipts. Keep all of your passwords private and never feel pressured to reveal your social security number.

Use your credit card. According to the Federal Trade Commission, if you pay by credit or charge card online, your transaction will be protected by the Fair Credit Billing Act. Under this law, consumers have the right to dispute charges under certain circumstances. In the event of unauthorized use of your credit or charge card, you are generally held liable only for the first $50 in charges.

Finally, to avoid impulse purchases, carefully consider before responding to pop-up ads and email advertisements. Surfing the web may be a form of entertainment for some, but shopping should never be considered a recreational sport.

Real World Advice On Money And Marriage

Resource: Money Management International

A California State University study confirms what the counselors at Money Management International (MMI) have always known, that money problems are a contributing factor in the decision to divorce. MMI sees far too many couples who devoted more time and planning to their wedding than their financial interdependence. For both newly married couples and long-standing marriages, financial communication is crucial. Before your financial relationship damages your personal one, consider the following:

- Start a frank and open dialogue about your finances to determine:

  - Where you each currently stand in terms of debt. Both parties should list all of their outstanding debt.
  - Your money philosophy. (Saver or a spender)
  - Where you each want to be financially in three, five and ten years.
  - How will you tackle the bills? Will you split them 50/50 or will one partner pay for certain expenses in full?
  - Who will be responsible for paying the bills?

- Track your expenses for one month and show each other where your money is going.

- Develop a plan to payoff as much outstanding debt as possible.

- Determine whether or not you will open a joint checking or savings accounts. Sometimes it is best to maintain separate accounts.

- Establish a savings account to begin putting money aside for big ticket purchases such as a home, starting a family, etc.

- Discuss the financial issues surrounding starting a family. Will one spouse stay home? Work-part time? What are each person's expectations?

- Schedule one hour each week to discuss personal household finances.

Rick Dobson, MMI Vice President of Education explains, "This exercise isn't always fun, but it's extremely necessary. Hiding debt or spending habits from your spouse only leads to problems. Approach the issues honestly and openly and you have a much better shot at a strong, healthy financial relationship."

Staying In Touch With Your 401(K)

Resource: Consumer Credit Counseling Services

Seventy-five percent of American workers are invested in a 401(k) program, making them the preferred vehicle for retirement planning. Staying on top of where your money is going is paramount to ensuring your nest egg will still be there when you retire.

When you enrolled in a 401(k), you spent time researching your investment options in order to make informed decisions. Yet other than moving their 401(k) when they change jobs or retire, most people fail to actively manage their accounts by rebalancing their allocation of assets when market conditions change. Rebalancing your portfolio every year to keep the percentages where you want them is the key to maximizing returns and minimizing risk.

Do you know how much of your 401(k) consists of company's stock? As the Enron collapse has clearly highlighted, placing too much of your retirement money in a single stock can leave you without enough savings to retire at all. Congress is considering a law that limits your holdings of company stock in a 401(k) to 10 percent or 20 percent of the money, but don't wait for legislation to force you to diversify.

Don't despair if you have watched your 401(k) balance decline over the last year. If it is any consolation, you aren't alone. Here are some things to consider when assessing your 401(k).

If you don't feel you have enough choices in your retirement account, lobby your plan administrator for more choices.

If you have experienced a raise in compensation, consider increasing your contribution. Seek professional guidance. They can help you determine your tolerance for risk and map out a strategy that will bring you closer to your financial goals.

The biggest mistake you can make is to not participate. Just be sure to regularly review your statements and re-evaluate your investments as necessary.

How Much Will You Need to Retire the Way You Want?

Resource: Financial Finesse

It's the question on every worker's mind: How much money do I need to live the retirement lifestyle I dream of? If endless hours of reading, cooking, and the great outdoors is what you envision, maybe you won't need a huge fortune. If, on the other hand, Caribbean cruises and country club dinners are more your style...well, maybe a fortune is exactly what you'll need. In either case, a reasonable estimate will help guide your retirement planning decisions.

What Annual Income Will I Need in Retirement?
You might assume that your cost of living would decrease drastically in retirement -- no more dry cleaning your business suits, paying for workday lunches or contributing to the weekly office gift pool. Plus, you may have finally paid off your home mortgage, a relatively large monthly expense.

But if you plan to take part in lots of activities that cost money, like entertaining, golfing and traveling, your cost of living may actually increase in retirement. And don't forget medical care -- retirees typically have more medical expenses than workers covered by a good employer-sponsored medical insurance program.

Now that you know what to be aware of, use your current monthly living expenses as a benchmark and estimate, based upon the lifestyle you plan to lead, what it will cost you each year to live as a retiree.

How long you'll need that income depends on when you want to retire and your life expectancy at that age. If you plan to retire at 60 and expect to live to 90, you'll need an income for 30 years. (Don't forget that the amount has to be adjusted for inflation.) Don't worry...you won't have to do the math yourself.

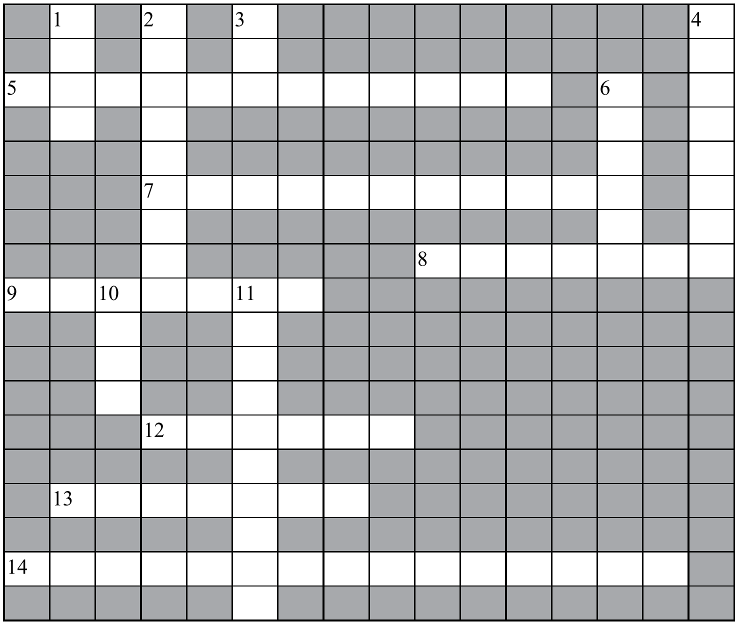
***continued on next page** ...*

It's Easy to Find Your Bottom Line...Online

Not a whiz with a slide rule? No problem. An online retirement calculator makes it easy to run the numbers. The calculations are only as good as the data you provide, though, so take the time to have the following information available:

- What do you expect to receive from Social Security and when do you expect to start drawing benefits? (Social Security can provide you with an estimate of what your benefits would be at different ages.)
- Will you receive income from a pension plan, annuity or other source?
- How much do you have saved in tax-deferred retirement savings vehicles, such as IRAs, a 401(k), 457, or 403(b) plan?
- What future contributions do you plan to make to your tax-deferred savings vehicles?
- How much do you have invested in assets that are not tax-deferred?
- How many work years do you have left in which to save the necessary amounts?
- What rate of inflation is assumed (3 percent to 4 percent per year is typical)?
- What is your current tax bracket and what will it be when you retire (higher or lower)?

It's a good idea to run the numbers using varying assumptions. One of the most influential variables is the rate of return you earn on your assets. Sure, we'd all like to assume a consistent annual rate of return of 15 percent, but you'd be wise not to bank on that. Still, running the calculation with different rates of return will give you an idea of how aggressive you'll need to be in your investment choices to achieve your goals. If an aggressive investment strategy isn't your style, at least you'll know early on if you should plan to work a little longer, consider a slightly different lifestyle, or simply save more. You'll likely learn from this exercise that, adjusted for inflation, that fortune you need isn't out of reach.



ACROSS

5. NECU sponsors the "Cat Pack Student Section" of what University?
7. What is the last name of NECU's President/CEO?
8. The name of NECU's high-yield savings account for youth ages 0-22.
9. What is the money-saving benefit that can be added to any NECU personal checking account?
12. What United States President was born in New Hampshire?
13. NECU is owned by it's __________?
14. On May 22, 2009, President Obama signed the _____ _____ _____ of 2009, into law.

DOWN

1. GenGold Student: Grant Locator can provide a student with ____ money?
2. NECU's high-yield checking account that promotes electronic services.
3. NECU is part of the CO-OP and _____ ATM networks.
4. New Hampshire's state fruit (plural).
6. What street is the NECU Manchester branch located?
10. What is the abbreviated name of the U.S. Government Agency that insures credit union's savings?
11. Where on NECU's website can you find articles on "How to buy a car", "Graduating College", and "Purchasing a Home"?

NECU Brain Teaser answers are available online at www.necu.org/why-necu/in-the-news/neighborhood-news.aspx

DID YOU KNOW?

- If you used salad plates instead of dinner plates for meals, you can cut calories by 22 percent. And you'd lose 17 pounds in a year – without changing one other thing.

- Researchers analyzed nearly 200 dogs of different ages, and they found that age had very little impact on a dog's ability to comprehend gestures. It's as if dogs can understand us almost from the day they're born. It helps that we talk to our dogs in baby talk – a language the scientists refer to as "motherese." It works the same way as it does with babies. It gives dogs social stimulation. They start to understand something good happens when they hear baby talk, like petting or a treat. That may help explain why dogs turn out smarter than most all other pets.

NECU Financial Education Workshops 2010 Calendar*

January	Setting Goals & Priorities (W)	Tue – 1/26 6 pm
February	Maximizing Your Refund (W)	Tue - 2/23 6 pm
March	Mastering Your Credit Report (W)	Tue - 3/23 6 pm
April	Pre-Retirement Planning (P)	Tue - 4/27 5:30 pm
May	Home Buyer Seminar - 3 hrs (W)	Tue - 5/25 6 pm
June	Mastering Your Credit Report (P)	Tue - 6/22 5:30 pm
September	Home Buyer Seminar - 3 hrs (P)	Tue - 9/28 5:30 pm
October	Finding Extra Money (W)	Tue - 10/26 6 pm
November	Planning for the Holidays (W)	Tue - 11/16 6 pm

Workshops run for 1 hour, unless otherwise noted.
W - Webinar
P - Portsmouth Branch
* Register by emailing marketing@necu.org. Or visit www.necu.org.