

# CreditCheck

NEWSLETTER FROM THE CHURCH OF THE BRETHREN CREDIT UNION

FIRST QUARTER 2008

## Rates are dropping — last chance to lock in 5.10 APY for CDs

Interest rates have been dropping as the Federal Reserve Board cut the benchmark short-term interest rate in September and again in December. Many homeowners are wondering how low the interest rates will go so they can refinance their mortgages or switch from an adjustable-rate mortgage to a fixed mortgage and lock in the low rates. But as loan rates



*Laddering CDs will lock in great yields while providing access to funds on a regular basis.*

drop, so do deposit rates. Three years ago Certificate of Deposit yields were below two percent — they are heading down again.

Now is an excellent time to lock in long-term yields on CDs with the Credit Union before they decline. CoBCU is offering excellent annual percentage yields on its two- and five-year CDs that exceed national averages. Locking in CDs now will ensure a good return for risk-averse investors. For its two-year CD, CoBCU is offering an annual percentage yield of 5.10 percent, which far exceeds the national average of 4.36 percent, according to Bankrate.com. For its five-year CDs, CoBCU is offering 4.84 percent APY, compared with the national average of just 4.45 percent.

CoBCU's competitive edge is not only in its rates. What many members appreciate about CoBCU is that its CDs only require a minimum deposit of \$500 to receive these excellent yields. Many banks market above-average yields, but only for those who can meet their enormous minimum deposit requirements. For example, on a two-year CD, Capital One Bank currently offers a 4.75 percent APY but requires a \$5,000 minimum deposit; E-loan, noted for its high yields, is offering 4.80 percent but has a minimum deposit of \$10,000.

Furthermore, while most banks offer lower yields on IRA and Coverdell CDs, because of the additional administrative costs associated with tax-deductible accounts, CoBCU offers the same excellent yields on all of its CDs. The national aver-

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### Paycheck-to-paycheck rut

To get on the path of building wealth and out of the living paycheck-to-paycheck rut, you need to give yourself a *self-tithe* —



a set amount regularly put aside for personal income growth. It is called a self-tithe because it requires unwavering commitment to yourself.

Most New Year's resolutions fade like gym attendance, but a resolution to get out of a financial rut can succeed if you let the Credit Union assist you. The Credit Union can set up an automatic transfer to have a self-tithe directly transferred to a savings account from your main bank account or your place of employment. An automatic self-tithe will ensure you begin to build wealth and escape the paycheck rut.

### 2007 is not in the books yet!

Do not wait until April to do your taxes. Getting an early start will give you opportunity to find a governmentally encouraged investment program that will lower your taxable income for 2007.

One such investment is the Individual Retirement Account program, known commonly as an IRA. In fact, current tax laws allow for deductible contributions to be made anytime during the calendar year and up until your tax-filing date. It is also possible to make a contribution before April 15, count it for 2007, and make another contribution later in the year



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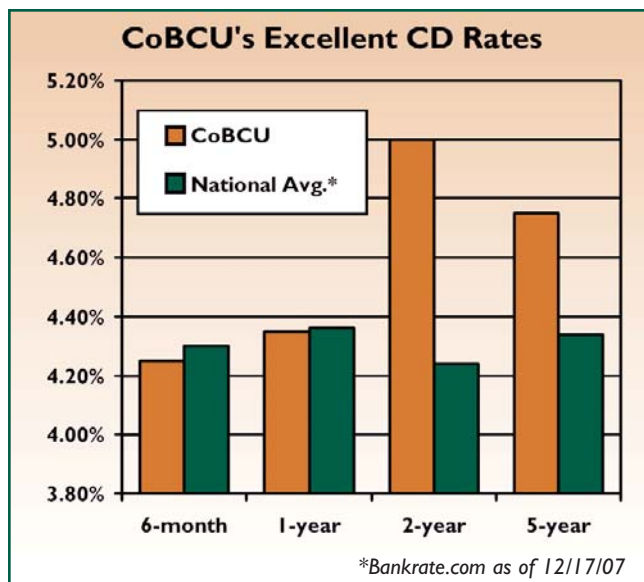
### ***“locking in CD rates” Continued from front...***

age for a 12-month IRA CD is a quarter percent, or 25 basis points, below its common CD counterpart.

Many investors are reluctant to purchase long-term CDs because they are concerned they may need to access their funds before the CD matures and they do not want to incur early withdrawal penalties. One method that allows investors to have regular access to funds while still locking in good CD yields is to stagger the maturity dates of the CDs, referred to as CD laddering. Simply put, instead of purchasing one CD, an investor purchases a number of smaller CDs of different maturities.

A common CD ladder has five rungs. As an example, if you have \$10,000 to invest, you purchase five \$2,000 CDs of different maturity lengths — \$2,000 for a six-month CD, \$2,000 for a 12-month CD, \$2,000 for a two-year, etc., out to a five-year CD. This allows access to funds at various points along the way. As CDs mature they can be reinvested at maturity lengths that will ensure that funds are available on a regular basis.

To get more information on CDs or to purchase a CD, contact Dennis Kingery at [dkingery\\_bbt@brethren.org](mailto:dkingery_bbt@brethren.org) or at **888-832-1383**. — Jay Wittmeyer



### **Quick Tips for the New Year**

- ✓ **Set an Annual Budget**
- ✓ **Start a Christmas Club Account**
- ✓ **Start a Vacation Club Account**
- ✓ **Monitor your credit score**
- ✓ **Refinance your auto**



photo by Nevin Dulabaum

### ***“IRA deadline” Continued from front...***

as your 2008 contribution.

Not all IRAs are the same. Traditional IRAs offer a tax deduction, Roth IRAs do not. However, funds are not taxable when removed from a Roth IRA — nor are their earnings — but traditional IRA funds are taxable. Traditional IRAs are preferred by individuals who will rollover their funds until retirement, at which point they will be in a lower tax bracket. Roth IRAs are best suited to individuals who expect to be at a higher tax bracket when they retire.

Deductibility of contributions to traditional IRAs is based on a worksheet that is included with the instructions for IRS Form 1040. In general, contributions are deductible for taxpayers with modified adjusted gross income under specified limits. For more information on deductibility, visit the CoBCU website at [www.cobcu.org](http://www.cobcu.org) and click on “IRAs and ESAs.” The Credit Union is currently offering excellent rates for IRAs that are federally insured and, thus, risk-free.

**Find up-to-date savings, loan, CD, and IRA rates online at [www.cobcu.org](http://www.cobcu.org).**



To learn more about our services, call toll-free at **888-832-1383**.  
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