Louisville Federal Credit Union

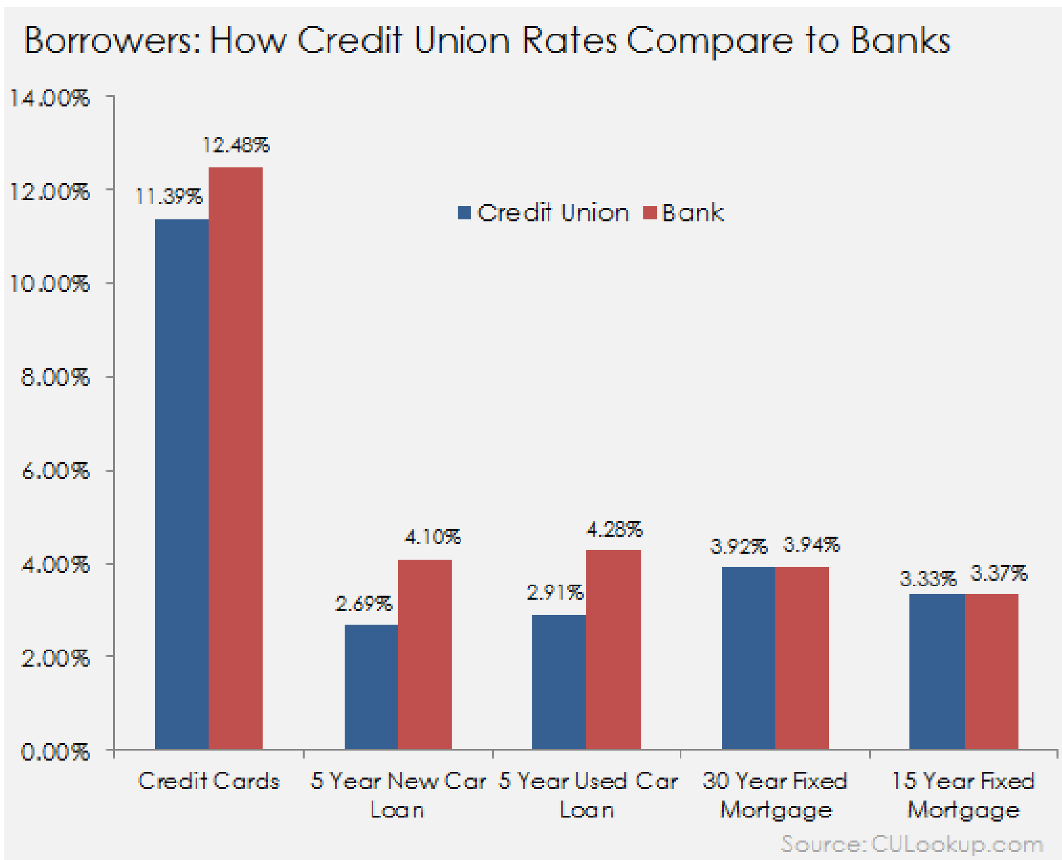
EAGLE'S NEST
MARCH 2015

Why 2015 Is the Year to Switch to a Credit Union

By Jordan Wathen

Credit unions have become more competitive with the nation's banks. They can open accounts for almost anyone, even businesses, write mortgage loans, and generally provide any basic banking service that for-profit banks can.

And over time, credit unions have become fiercely competitive. Their not-for-profit status allows them to operate without a goal of profitability. Their tax-free status means they don't have a huge expense that taxed, for-profit banks have to pass on to their customers. Without the need to generate a profit, or pay taxes, credit unions have a massive advantage on the banks -- an advantage that can benefit the customer.



Borrowers win at credit unions
Data compiled by SNL Financial and the National Credit Union Administration suggest that credit unions offer lending rates that are on par or better than the nation's banks. The average credit union prices its credit cards, car loans, and mortgages at rates lower than the average for-profit banking institution, in part due to the efficiency of a not-for-profit business model.

You'll notice car buyers are perhaps the biggest winner at credit unions, which price car loans at nearly half the rate of for-profit banks. This is nothing new. Going back several years in the data, I found credit unions have historically priced their car loans at a 1.5%-2% discount to loans from the average banking institution.

Did you forget to RSVP?

March 27th is the deadline!

April
Monday
20

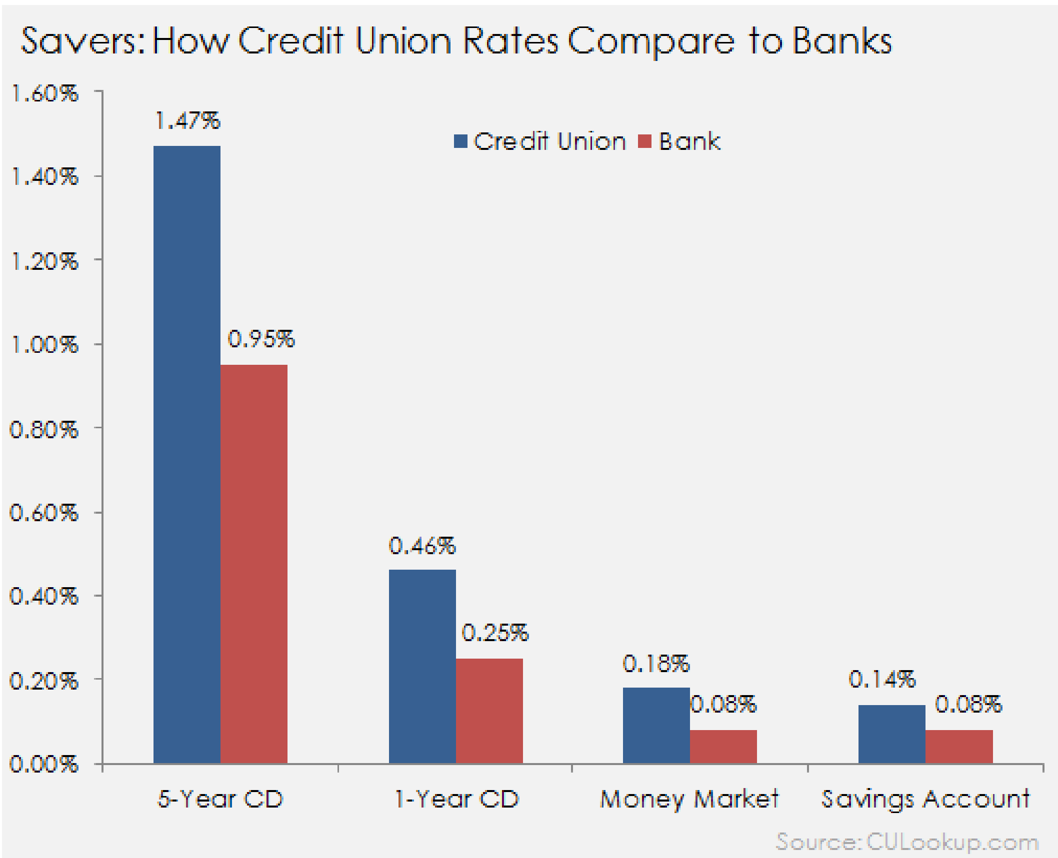
To get an accurate head count and decide the location for this year's Annual Meeting we are requesting all members to let us know if you will be attending the annual meeting. Tickets will be mailed to members who RSVP and will entitle you and one (1) guest entry to the annual meeting, dinner, and a chance to win prizes (guests are not eligible for prizes).

The difference is so substantial that individuals with an auto loan at a for-profit bank might want to consider refinancing their loan at a credit union. The savings can add up to thousands of dollars over the life of the loan.

Credit unions are more conservative in how they manage their assets and liabilities, and thus prefer the short amortization period of car loans. Whereas a 30-year mortgage carries the risk of rising interest rates over the life of the loan, a car loan can be easily matched with certificates of deposits, for instance. Credit unions will compete aggressively for car loans, but largely match the banks' rates on mortgages, which are longer-term loans by their nature, and less preferable to credit unions because of their longer duration.

How credit unions stack up for savers

Savers fare better at credit unions across the board. The average credit union offers CD, money market, and savings rates well above the national average for banking rates. The disparity is most dramatic for longer-term savings vehicles such as certificates of deposit, where credit unions pay nearly 50% more on five-year CDs than banks.



This is, again, partly due to conservatism in how credit unions structure their assets and liabilities. Credit unions want longer-term deposits to reduce their interest rate risk. Banks have more fee revenue than credit unions, which acts as a form of insulation from the swings in interest rates.

Speaking of fees, the chart above doesn't reflect the common bank service charges that you won't find at a credit union. Following a reduction in fees banks earn on debit cards, banks created account maintenance fees to offset their lucrative debit card revenue. The result is a monthly charge for accounts that do not maintain a minimum balance.

Credit unions, formed for the purpose of helping low- and middle-income Americans create savings, have largely avoided monthly account fees for their customers.

If, like many people, you made a financial New Year's resolution, you might just want to start by picking a new place to store your savings and borrow your money. The average credit union has a huge advantage on your average bank. This year is the perfect year to make the switch.

Courtesy of www.fool.com

Last issue we defined Lifestlye Inflaftion. This month, lets look at how it’s hurting you.

7 Ways Lifestyle Inflation Is Harming Your Finances

By Paula Pant

1. You Don’t Have a Budget: If you’re more focused on upgrading your lifestyle than managing your money, any thoughts of a budget go out the window. You may have a vague idea how much is coming in and going out each month, but you don’t pay much attention to it.

Financial management 101 involves creating -- and sticking to -- a budget. We know, we know: “budget” is a bad word. It immediately makes you fall asleep.

But consider this: budgets don’t have to be complicated: it can be an easy two-category budget or detailed into dozens of line items. Pick whichever style suits you best. Any budget at all is better than wondering where your money has gone.

2. You Don’t Save Much: When you spend almost every dollar you bring in, there’s almost nothing left over for savings. That’s dangerous.

Your savings can safeguard you against the future. You don’t know what might go wrong with your home, your car, your health -- but you do know something is likely to go wrong at some point, and you likely won’t have warning of when it will happen or how much it will cost.

If you’re not regularly saving now, you won’t be prepared to handle unexpected expenses that may arise, and you definitely won’t be prepared for your retirement.

3. You Feel Like You Have to Work All the Time: The more your standard of living increases, the more hours you have to spend working to finance that standard of living. All those great things you’ve purchased -- the vacation home, the motorcycle, the theater-grade sound system -- are things you rarely get to enjoy because you spend all your time at the office. You trade your time for money.

And what do you do when you finally have an hour or two for yourself? You treat yourself like royalty, because you feel you deserve it -- which only makes the cycle continue.

4. You’re Under Constant Stress: Worrying over your growing credit card balances. Stressing over keeping up appearances. Straining your personal relationships. The endless hamster wheel of lifestyle inflation can put you under serious stress, which can lead to even more splurges as you try to make yourself forget or feel better momentarily. Again, the cycle keeps repeating.

5. You’re Never Really Happy: When your main focus is on getting more, more, more, it’s hard to ever really feel content with what you already have. You trade in your family sedan for a sporty luxury car, and you’re happy with it for a little while -- but then you want a new car, a faster car, one with the latest features.

The irony of chasing a better life is that you never really feel you’ve gotten “there.” There’s always further you could go.

6. You May Live Like You're Rich, But You Feel Like You're Poor: You've heard of being house-poor -- owning a big house that looks lovely but that maxes out your budget so much you can barely afford anything else.

Well, lifestyle inflation can leave you status-poor or possessions-poor. On the outside, your life looks lavish and rich, but when you sit down and really look at your finances, you realize you're on ground just as shaky as those in lower-income brackets. You have little savings to fall back on, you're not prepared for retirement, you wonder how you can pay all your bills, and if a sudden emergency befalls you-like serious illness or a job loss-it could all go under in a heartbeat.

You never really feel like you get ahead, no matter how many promotions, raises or bonuses you get. You've traded stability and security for stuff and status.

Not feeling great about your
current financial situation?
Let LFCU help you get...

Ask a MSR about how we can lower your payments and reduce your stress.

7. You're in a Ton of Debt: When you're always upgrading your lifestyle, even your income increases can't keep up with your wants and expectations. There's a reason some celebrities and sports idols go bankrupt, and it's because they're trying to live above their means -- even though their means are more than sufficient by most people's standards.

Every dollar you take out in debt is a dollar you'll be paying several times over for years to come. Why not make time work in your favor -- through investment earnings –- rather than against you, through the interest you're paying on your debts?

Courtesy of www.dailyfinance.com

Main Branch
Mailing Address:
PO BOX 33303
Louisville, KY 40232-3303
Physical Address:
1420 Gardiner Ln Rm 66
Louisville, KY 40231
P: 502-458-2681
F: 502-458-2682

Downtown Branch:
600 Dr. Martin Luther King Jr. Place Rm 166
Louisville, KY 40202
P/F: 502-584-3579

Email: lfcu@louisvillefcu.com