

# SPRING 2022 NEWSLETTER

*Building Stronger Communities Together*



Mike Lee, President/CEO

## Dear Members,

Thank you for your business and supporting the credit union for another successful year! KCT held its Annual Meeting in March and is excited to share the Annual Report with you. [Click here](#) to review the Annual Report.

In this edition of the KCT Difference, we'll give you some helpful last minute tax tips to know before it's time to file. We'll also cover how you can come up with a better plan to spend your paycheck (hint: you don't have to spend

it all). Finally, if you're considering buying a home this year, we'll share an analysis of the current market, a prediction of what's to come later this year and what you should be looking out for in your home search.

## Last Minute Tax Tips to Know Before You File

If you have not already done so, it is time to file! But before you do, we have some tips to ensure you don't miss any deductions and credits, and ensure you have a smooth and accurate filing.

## The Best Way to Spend Your Paycheck

Everyone loves payday, but too many people do not know how to allocate their paycheck in a way that best serves their financial needs. We'll give you some valuable tips on how to manage your paycheck responsibly.

## Taking Out a Home Loan in 2022

As we pass the two-year mark since COVID-19 reached the U.S., the market continues to adjust to the changing economic environment, rising inflation and fluctuating demand. We'll talk about market trends and how to position yourself to make an offer that gets accepted.

A handwritten signature in black ink, appearing to read "Mike Lee".

## Branch Locations

### Elgin

111 S. Hawthorne St.  
Elgin, IL 60123

### Downtown Elgin

270 N. Grove Ave.  
Elgin, IL 60120

### South Elgin

121 S. McLean Blvd.  
Suite A  
South Elgin, IL 60177

### Geneva

28 N. 5th St.  
Geneva, IL 60134

### Aurora

320 E. Indian Trail Rd.  
Aurora, IL 60505

## Holiday Closings

Memorial Day - May 30<sup>th</sup>

Juneteenth - June 20<sup>th</sup>

Independence Day - July 4<sup>th</sup>

# Last-Minute Tax Tips to Know Before You File



The big day is drawing near, and if you have not already done so, it is time to file your tax return! Before you file, though, it is a good idea to review your return to ensure you have not made any mistakes or forgotten any deductions or credits you are eligible to claim. Below, we have compiled a list of last-minute tax tips to know before you file.

## Consider filing electronically

If you still file your taxes the old-fashioned way, you may want to consider switching to e-filing this year. The IRS e-file is available to all taxpayers, and many can file electronically at no cost.

## Re-check your Social Security numbers

Make sure every Social Security number on your return, including your own, your partner's and each of your dependents, is listed correctly. Check that the SSNs related to claims for Child and Dependent Care Credit or Earned Income Tax Credit are accurate as well.

## Do not forget any deductions

Be sure you have taken every tax deduction that is available to you before completing your return. Here are some of the deductions that many people often forget to claim:

- **Home office deduction.** If you have a space in your home that is primarily used for work and is the principal location of your business, you can deduct the cost of upkeep for that area from your taxable income. For example, if you have a 200-square-foot space for a home office in a 2000-square-foot home, you can take the annual costs of your home (excluding rent) and divide it by 10 to get the sum of your home office deduction.
- **Out-of-pocket charitable contributions.** Most people remember to deduct the generous donations they have made to charity over the past year from their taxable income, but few remember to write off the expenses they have covered while doing the good deeds. For example,

the cost of ingredients you purchase for a meal you regularly cook for a soup kitchen can be deducted from your taxable liability, as can the cost of gas for any miles you drove for charity.

- **Student loan interest** you have paid or that someone has paid on your behalf. In the past, if anyone other than the student paid toward a student loan, there were no tax benefits. Now, however, any student who is not claimed as a dependent can qualify to deduct up to \$2,500 in student loan interest, regardless of who has made the payment.

## Make sure to claim the full Child and Dependent Care Tax Credit

A tax credit reduces your tax bill dollar for dollar, so it is important to claim every credit that is owed to you. There were big changes to the Child and Dependent Care Credit this year, and it is best to take full advantage of those changes. The American Rescue Plan, signed into law on March 11, 2021, increases the credit and makes it fully refundable, so taxpayers can receive the credit even if they do not owe taxes. The new law also expands the eligibility requirements for taxpayers who can benefit from the credit's highest rate. The changes to the Child and Dependent Care Credit that apply only for tax year 2021 include:

- The highest credit percentage increased from 35% to 50% of qualifying expenses.
- Qualifying child and dependent care expenses increased from \$3,000 to \$8,000 for one qualifying dependent, and from \$6,000 to \$16,000 for two or more qualifying individuals.
- The adjusted gross income (AGI) level at which the credit percentage starts being reduced went up from \$15,000 to \$125,000.

## Double-check your figures

If you are filing a paper return, double-check that you have correctly calculated the refund or balance due. Run the

*Continued on next page*

### ***Last Minute Tax Tips continued...***

numbers through a calculator again, and then again, to ensure you have not made any mistakes in your figures.

#### **Get your return in on time**

Tax day is usually on April 15. This year, the deadline has been postponed to April 18. If you know you will not be ready to file on time, you will need to request an extension. It is important to note, though, that an extension to file does not include an extension for payment. Be sure to pay up on time or you may face penalties.

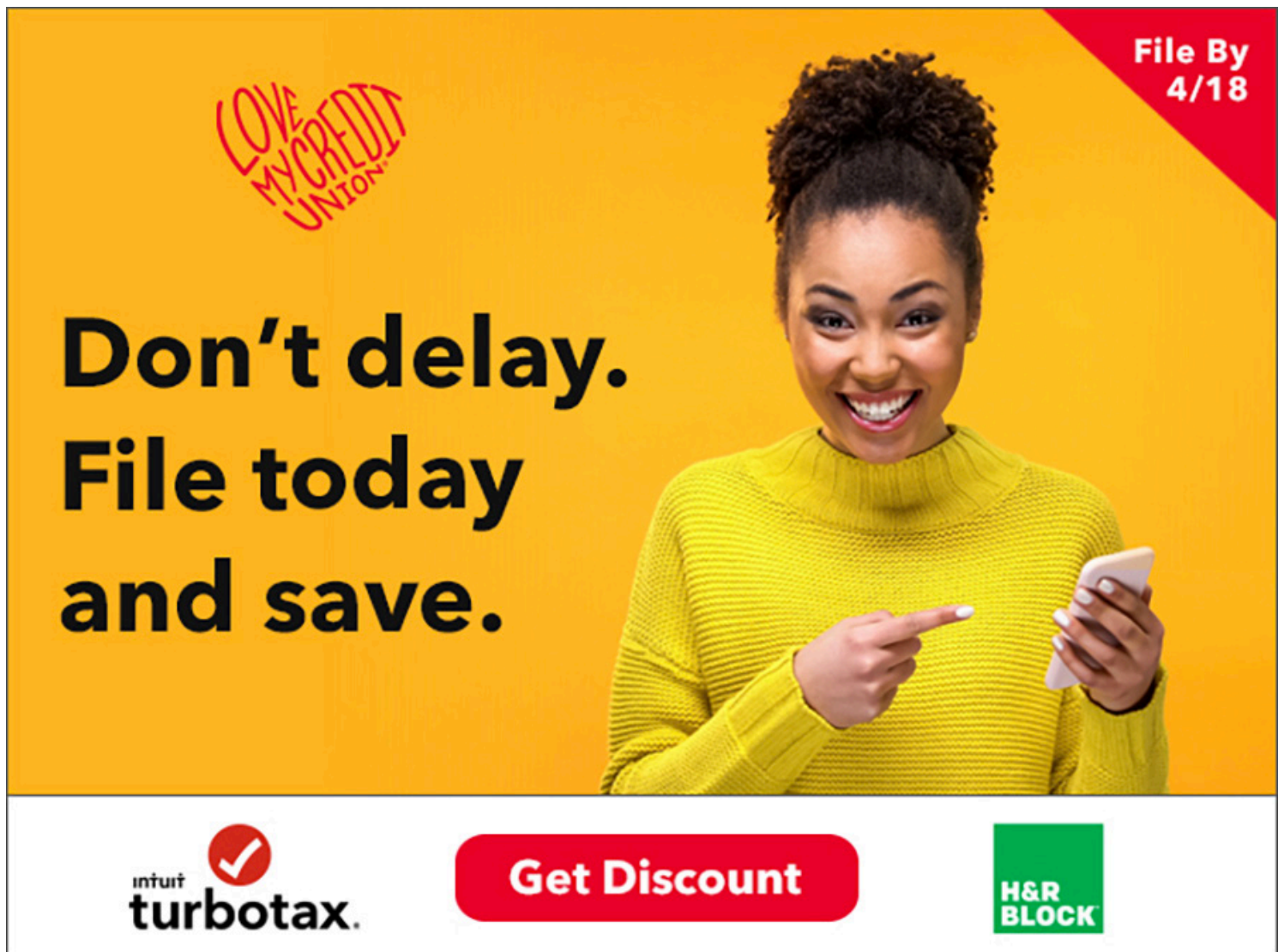
#### **Do not forget to sign your form**

Your tax return must be signed and dated in order to be filed. If you're filing jointly, be sure to have your partner sign as well. In addition, if you have hired someone to prepare your return, have the preparer sign the form and enter their Preparer Tax Identification Number (PTIN).

#### **Use the KCT Tax Loan to cover the bill**

If the cost of your taxes is especially high this year and you are not sure if you will be able to pay the full amount, call 847.741.3344 to speak to an MSR or visit your nearest KCT branch to discuss your options.


It is tax time! Use the tips outlined here to maximize your refund and ensure there are no mistakes on your tax return.



LOVE MY CREDIT UNION

**File By  
4/18**

**Don't delay.  
File today  
and save.**

intuit  **turbotax.**

**Get Discount**

**H&R  
BLOCK**



# The Best Way to Spend Your Paycheck



Everyone loves payday, but too many employees do not know how to allocate their paycheck in a way that best serves their financial needs. Use the tips outlined below to learn how to manage your paycheck responsibly.

## **Automatically deduct contributions**

Your first step in managing your paycheck is making sure you are deducting the optimal amounts. Your employer will likely deduct funds for your health care plan and taxes, but you can determine how much tax is withheld by changing a few elections on your W-4. If you receive too large a tax refund for the prior year, or you are stuck with a big bill when you file, consider adjusting the amount withheld on your W-4. Also, be sure to take full advantage of any employer-matching offers for your retirement funds — do not give up free money!

## **Budget for necessities**

After your contributions are deducted from your paycheck, you will be left with your take-home pay, or net income. You will use this money for covering expenses until the next payday, so it is best to budget first for necessities, such as your mortgage or rent payments, utility bills, insurance premiums, etc. You can use the “envelope system” to actually put cash away for necessities or set up a detailed old-fashioned budget, which prioritizes your needs. You can also choose to use the “50/30/20 budget” that sets aside 50% of your income for needs. You can even use the Financial Wellness widget in KCT Online and Mobile Banking to set savings goals and budget limits so you do not spend more than you make!

## **Budget for wants**

Once you have set aside money for your needs, you can use some of the remaining funds for wants, or discretionary expenses. This can include entertainment costs, dining out and clothing, in addition to what you really need. Here, too, you can put away the cash you need for a spending

category into an actual envelope, mark down the amount you can spend in that category on a paper or in an app budget, or simply keep in mind that 30% of your paycheck can be spent on these expenses.

## **Pay yourself**

Now that you have taken care of your needs and wants until the next paycheck, it is time to think about the future. Put a percentage of the remaining funds into savings, including IRAs, college saving plans, CDs, investments, emergency funds and the like. Use your predetermined amounts, or 20% of your take-home pay, if using the 50/30/20 budget. If you have any outstanding consumer debt, be sure to pay toward it as well.

## **Do not feel forced to spend it all**


Many people mistakenly think they need to spend all of their paycheck before the next one arrives. If you are left with extra money at the end of the month, there is no need to waste it. You can beef up your savings, get ahead of your debt or stash some cash away for an expensive time of year, like the holiday season.

Learning how to wisely manage a paycheck can take some time, but once you have the hang of it, it will be easy and almost happen by itself.

If you are interested in learning more about budgeting or managing your personal finances visit [wellness.kctcu.org](https://wellness.kctcu.org) and discover the variety of free seminars and webinars we offer that cover all aspects of financial wellness. Understanding your finances is the first step to financial freedom!

# Taking out a home loan in 2022

## *What you need to know*



The real estate market has shifted tremendously since the start of the coronavirus pandemic. Now, as we pass the two-year mark since COVID-19 reached the U.S., the market continues to adjust to the changing economic environment, rising inflation and fluctuating demand. If you're looking to take out a home loan in the near future, it's important to learn about the current market trends and what you can expect in the coming months. Here's what you need to know about taking out a home loan in 2022.

### **Market trends**

Experts are predicting a somewhat cooler real estate market in 2022. Here's what to expect among some of the different factors in the market.

**Supply and demand.** 2021 was the year of frenzied bidding wars, as the supply of homes on the market fell well below the heightened demand. Despite these conditions, home sales were up by 44% in 2021 compared to 2020, according to Realtor.com. Looking forward, experts expect the demand to remain high in 2022, but they also anticipate the supply of available homes to inch closer to the demand as more new-construction homes hit the market. In addition, the trickle-down effect of the end of the government's moratorium on foreclosures will likely increase the supply of available homes on the market.

**Home prices.** In 2021, the average price of homes rose to an estimated 14.75%. According to the National Association of Realtors, home prices will continue to increase in 2022, but at a far more modest rate of just 2.8%. Fannie Mae projects a 7.4% increase, while mortgage bankers expect home prices to rise 5.1%.

**Mortgage rates.** Mortgage rates remained at historic lows in 2021, with the average 30-year fixed-rate hovering around 3% at the end of the year. Economists expect mortgage rates to increase in 2022, but to continue to remain relatively low. The National Association of Realtors claims that mortgage rates will increase in 2022, and we've already seen that happen since the start of this year.

### **Tips for buying a house in 2022**

If you plan on buying a house in 2022, here's how to make the most out of your search:

**Get pre-approved.** It's always a good idea to get pre-approved for a mortgage before you start your search. It's even more important in a sizzling real estate market like the one buyers are facing today. A pre-approval gives you a leg up on bidding wars, shows potential sellers that you're serious about buying and helps you keep your search within parameters you can afford.

**Shop around for a mortgage.** While mortgage rates are still relatively low, each lender sets their own rates and closing costs. Shopping around before choosing a mortgage lender can save you money in the short term and long term. Use a local real estate agent. In a tight housing market, it's important to use an agent who knows the area well and can give you a realistic picture of what you can expect to pay for the home you want.

**Prioritize carefully.** Every home buyer has a wish list of features they'd love to have in their new home and neighborhood. But, when supply is limited, absolute must-haves need to be chosen carefully. Narrow your list as much as possible before beginning your search, as it will help you to avoid disappointment later on.

Keep these tips and considerations in mind as you begin your quest for the perfect new home. A little "pre-home" work can help make a big difference in the enjoyment of your home and your overall financial health for years to come!

If you're entering the market for a new home, KCT can help! KCT Credit Union offers home loans for qualifying members that feature competitive interest rates, an efficient and smooth application process, and the personalized service you've come to expect. Call 847.741.3344 to set up an appointment with a KCT Residential Lending Specialist, who can help you every step of the way. For more information, visit [kctcu.org/mortgage](https://kctcu.org/mortgage).



# Does your home need renovations?

Learn how a Home Equity Line of Credit from KCT can help fund your next home improvement project!

**Home Equity Line of Credit  
rates as low as 3.25% APR\***

**No closing costs valued up to \$320!¹**

To learn more, call 847.741.3344 to speak with an MSR or visit [HomeLoans.kctcu.org](https://HomeLoans.kctcu.org).

**Intro Rate**

**1.99 % APR\***

**For 6 cycles\***



\*Annual Percentage Rate (APR). Home Equity Line of Credit (HELOC). The intro rate of 1.99% APR is valid for the first 6 cycles following your closing. Afterwards, your rate will change to the prevailing rate based on the Prime Rate, currently at 3.5% APR, lien position and amount requested. The APR for KCT's HELOC may change quarterly on January 1, April 1, July 1 and October 1 based upon the Prime Rate as reported by the Wall Street Journal. The floor for KCT's HELOC is 3.00% APR, and the ceiling is 18.00% APR. Owner occupied, primary residence only. Interest may be tax deductible, consult your tax advisor to find out if you qualify. Minimum HELOC line amount is \$10,000 with an initial draw of \$10,000. As low as rate is based on excellent credit history and first lien position. The interest rate you receive will be determined by your creditworthiness and lien position. Rates subject to change. All loans subject to approval. Membership and other qualifications apply.  
¹KCT Credit Union will waive closing costs if initial draw is \$15,000 or greater. Closing costs include a \$245 appraisal fee (approximate) and a \$75 title search fee. You may be charged a \$150 inactivity fee if no transaction is made within 12 months. A late charge of 5% or \$10, whichever is greater, will be assessed if payment is more than 10 days late. Offer subject to change.



NMLS# 530593



**AMERICAN SHARE INSURANCE**  
Your savings insured to \$250,000 per account. This institution is not federally insured.

# Upgrade your vehicle this spring!

Enjoy friendly service and savings when you finance with KCT.

Call **847.741.3344** to speak to an MSR or visit **[apply.kctcu.org](https://apply.kctcu.org)** to get started today!

**New Auto Loan  
rates as low as**

**1.99 % APR¹**

**Used Auto Loan  
rates as low as**

**2.74 % APR²**

**No payment for 90 days!**

rates include discounts, see below for details\*\*



**AMERICAN SHARE INSURANCE**  
Your savings insured to \$250,000 per account. This institution is not federally insured.

¹Annual Percentage Rate (APR). Advertised rate is based on excellent credit history and discounts. 1.99% APR applies on vehicles model year 2021 or newer for a 60-month term or shorter. Offer valid thru April 30th, 2022. Other terms and conditions may apply. Maximum term is 72 months, which requires a minimum amount of \$20,000 financed. Payment example: a \$20,000 loan with a 60 month term at 1.99% APR would have 60 payments at approximately \$351.89, resulting in approximately \$1,113.40 in finance (interest) charges. Payment may vary from example if electing Guaranteed Asset Protection (GAP) coverage, Mechanical Repair Coverage, or KCT Protection. Rates subject to change. All loans subject to approval.  
²Annual Percentage Rate (APR). Advertised rate is based on excellent credit history and discounts. The interest rate you receive will be determined by your creditworthiness. 2.74% APR applies on vehicles model year 2013 to 2020 for a 60-month term or shorter. Offer valid thru April 30th, 2022. Other terms and conditions may apply. Payment example: a \$20,000 loan with a 60 month term at 2.74% APR would have 60 payments at approximately \$359.05, resulting in approximately \$1,543.29 in finance (interest) charges. Payment may vary from example if electing Guaranteed Asset Protection (GAP) coverage, Mechanical Repair Coverage, or KCT Protection. Rates subject to change. All loans subject to approval.  
\*\*Members can receive a 0.25% discount on an approved auto loan rate when borrowing 60%-80%, depending on credit score, of appraised vehicle value.  
Receive an additional 0.25% discount on approved auto loan rate when you setup or have an existing automatic deposit into your KCT Checking account of at least \$500.00 per month with automatic loan payment. If at any time the automatic deposits discontinue in the duration of the auto loan term, the discounted rate will no longer be applied and the rate will adjust accordingly. Offer subject to change.