Dear Members,

2020 has brought challenges to all of us that no one could have imagined. The strength and resilience of our communities is evident as we navigate these unprecedented times. KCT is honored to play a role in this recovery, and we are extremely grateful for your loyalty.

At all KCT branches, we continue to make the well-being of our members and employees our top priority, with policies continuing to be in place requiring masks and 6-foot social distancing. Please check updates.kctcu.org for current information on this ever-changing situation.

Now more than ever, it is important to take steps to ensure that your family is protected financially if something were to happen to you. KCT is proud to offer life and long-term care insurance, and in this issue, we’ll examine how these insurance products can help you protect your family. We also continue to offer a full line of loan products such as Mortgage Loans, Home Equity Line of Credits, and our popular Get Out of Debt (GOOD) Loan. In this issue, we’ll take an in-depth look at HELOCs (Home Equity Line of Credit) to find out if this type of loan could be right for you.

Life insurance
It’s a difficult question that many people avoid: How will my family manage financially if I am no longer around? Life insurance lets you keep your promise to protect those you love, and KCT can help. In this issue, we’ll examine why you need life insurance, how to calculate your coverage needs, and how you can set up a complimentary coverage review with KCT to make sure that you and your loved ones are protected for the future.

Long-term care insurance
Who will care for you when you can’t care for yourself? Chances are the day will come when you won’t be able to manage on your own. Long-term care includes all the assistance you would need with daily living tasks if a chronic illness or disability leaves you unable to care for yourself for an extended period of time. In this issue we’ll cover care options that are available, where care is provided, tips to save on premiums, and how you can set up a free consultation to purchase a policy or learn more.

HELOC (Home Equity Line of Credit)
With the uncertainty of the current pandemic, having an open line of credit could be crucial to cover planned or unplanned expenses. Maybe you’re looking to take on a home improvement project, or consolidate debt. In this issue we’ll examine the advantages and disadvantages of a HELOC, with information to help you decide if a HELOC is right for you.
Chances are, you need life insurance.

Life insurance is a simple answer to a very difficult question: How will my family manage financially when I die? It’s a subject no one really wants to think about. But if someone depends on you financially, it’s one you cannot avoid.

There are many types of life insurance, but for all of them the bottom line is the same: They pay cash to your family after you die, allowing loved ones to remain financially secure. Life insurance payments can be used to cover daily living expenses, mortgage payments, outstanding loans, college tuition and other essential expenses. And, importantly, the death-benefit proceeds of a life insurance policy are almost never subject to federal income taxes.

If you’ve worked hard to establish a solid financial framework for your family—investments, home equity, a savings plan, retirement accounts—life insurance is the foundation upon which it all rests. It can guard against the need for your loved ones to make drastic changes to future plans when you die. Certain types of life insurance even have a built-in cash-accumulation feature that can help you reach savings goals.

Most Americans need life insurance, and many who already have it may need to update their coverage.

“IT’S NOT ABOUT HOW MUCH LIFE INSURANCE YOU NEED, BUT HOW MUCH YOUR FAMILY NEEDS IF YOU AREN’T THERE.”

Insuring the times of your life

If someone depends on you financially, you probably need life insurance. Here are some examples of specific life stages or life events that might trigger the need for life insurance.

Married or Getting Married
Many families depend on two incomes to make ends meet. If you died suddenly, would your spouse have enough money to cover funeral costs, credit card balances, outstanding loans and daily living expenses?

A Parent or About to Become One
Raising a child is one of the most rewarding things a person can do in life. But it’s also one of the most expensive. If you died tomorrow, would your spouse or partner have the wherewithal to provide your children with the opportunities you always dreamed they’d have? From diapers to diplomas, would there be enough income to pay for daycare, a college education and everything in between? Even parents who don’t work outside the home need life insurance because they provide services that would be expensive to replace, such as childcare, transportation and managing the household. And what about single parents? They need life insurance more than anyone because their children rely on them for everything.

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Life Insurance - continued

A Homeowner
If you’re like most people, your home is your most significant financial asset. Life insurance can be used to pay down or retire the mortgage, sparing your family from moving to a less expensive place to live. Plus, it can provide the funds needed to help family members maintain the lifestyle to which they’re accustomed.

Changing Jobs
If you’ve recently been promoted or changed jobs, it’s a good time to re-evaluate your life insurance coverage. Why? You may not realize it, but when your income rises, your spending tends to rise, too. Updating your life insurance coverage can help ensure that your family would be able to maintain its new and improved lifestyle if something were to happen to you.

Retired or Planning for Retirement
If your children are on their own and your mortgage is paid off, you might feel your need for life insurance has passed. But if you died today, your spouse or partner could outlive you by 10, 20 or 30 years. Would they have to make drastic lifestyle adjustments to make ends meet? Adequate life insurance coverage can help widows and widowers avoid financial struggles in retirement.

Single
Most single people don’t have a pressing need for life insurance because no one depends on them financially. But there are exceptions. If you’re providing financial support for aging parents or siblings, or if you’re carrying significant debt you wouldn’t want passed on to family members, you should consider life insurance.

How much do you need?
The most important part of buying life insurance is determining how much you need. Since everyone’s financial circumstances and goals are different, there is no rule of thumb to tell you how much to buy.

But do you really need $250,000, $500,000, $1 million or more? Sounds like a lot of money, but imagine if one of those amounts had to pay for a funeral, retire credit card balances and other debts, and support your loved ones for many years to come. Would it be enough? How would you know?

To start, estimate what your family members would need after you’re gone to meet immediate, ongoing, and future financial obligations. Then, add up the resources your surviving family members could draw on to support themselves. These would include things like a spouse’s income, accumulated savings, life insurance you may already own, etc. The difference between the two is your need for additional life insurance.

This mathematical equation may seem simple enough, but coming up with all the inputs can get tricky. Plus, you’ll need to factor in the effects of inflation and assumptions about how much your investments will earn over the long run.

Fortunately, there are plenty of resources you can turn to for assistance. A first step would be to visit an online Life Insurance Needs Calculator like the one offered by kctcu.org/protect. Just remember that online calculators are no substitute for the advice you’ll get by meeting with a qualified insurance professional, who can conduct a thorough analysis of your needs, and then help you determine the right amount and type of life insurance to protect the ones you love. For more information about life insurance or to purchase a policy, contact KCT’s Life and Long-Term Care Insurance Specialist, Kelsey Guyan at kguyan@kctcu.org, or 847-289-3297.

Want to Learn More?

Get a copy of the free eBook, “What You Need to Know About Life Insurance” at kctcu.org/protect
Who will care for you when you can’t care for yourself?

Chances are the day will come when you won’t be able to manage on your own. The good news is, people are living longer. However, that increases the chance that you will live to the age where you will need long-term care.

Long-term care includes all the assistance you would need with daily living tasks if a chronic illness or disability leaves you unable to care for yourself for an extended period of time. It could be care in your own home or in a specialized facility.

65% say most people need long-term care insurance

But here is the disconnect:

only 57% say they personally need it and only 15% say they own it.

Source: 2018 Insurance Barometer Study: Life Happens and LIMRA

Care options that may be available to you

Many people think their private health insurance or Medicare would pay, but that’s typically not true. Health insurance really only pays for doctor and hospital bills. Medicare will cover skilled care for periods up to 100 days, but only if certain requirements are met. If you need care over an extended period of time, you’d have to spend down your assets before Medicaid would kick in, and then, you’d have less choice about the care you receive.

Others assume their loved ones would provide the care they may someday need, but that’s an imperfect plan. Many don’t recognize the significant negative impact caregiving could have on the caregiver, who often suffers emotionally and financially as a result of their caregiving responsibilities. If your plan is to turn to your family, is that what’s really best for you and them?

Long-term care insurance puts you in control

Long-term care insurance helps make sure that you’ll have access to high-quality care should you ever need it. Using insurance to pay for care also means that you won’t need to choose between getting the assistance you need and spending down your life’s savings.

In short, long-term care insurance puts you in control. But are you the right age to consider it? Can you afford it? And if so, what kind of benefit features should your policy include? This guide will answer these questions and help determine if long-term care insurance is right for you.

Continued on next page
Long-term care insurance - continued

Where care is provided
Professional care can be delivered in a variety of different settings, and many long-term care insurance policies give you the option to receive care in the setting of your choosing.

- **Home health care:** Services provided at home
- **Assisted living facility:** Residential care setting that provides housing and support services for people wanting or needing assistance with daily living tasks
- **Memory loss units:** Often located as a separate wing of an assisted living facility, these units provide 24-hour support, and locked premises to assure that no one wanders off.
- **Nursing home:** Full-time care in a dedicated facility
- **Adult day care:** Community-based, daytime supervision providing social, recreational or health assistance off-site during working hours

Tips to help save on premiums

- **Buy young:** Rates, in part, are based on your age. The younger you are, the lower your premiums generally will be. Also, the older you get, the more likely you are to have health concerns that make you uninsurable, or would make coverage more costly. Less than 5% of policies are issued for people age 70 or older.*
- **Preferred health discounts:** Most insurers offer preferred discounts to those in exceptional health. The majority of policies are issued with standard rates. If you qualify as a preferred customer, discounts of 10 percent or more may be available.
- **Couples/partner discounts:** Many insurers offer discounts when both spouses or domestic partners apply for coverage together. Some may even offer discounts to multi-generational families or siblings who reside together.
- **Starter policies:** Other financial priorities may make a comprehensive policy seem out of your reach, but some insurance plans can be designed to offer a smaller starter policy to give some protection now. You can sometimes add additional coverage down the road, or buy a supplemental plan to compliment your initial policy.

*2018 Milliman Long Term Care Insurance Survey, published by Broker World

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Your savings insured to $250,000 per account. This institution is not federally insured.
Is it a Good Idea to Open a HELOC Now?

If you’re looking for a large sum of money to use for a home improvement project, or the economic devastation of COVID-19 has left you in desperate need of cash, consider tapping into your home’s equity.

One great way to do this is by opening a home equity line of credit, or a HELOC. Let’s take a closer look at HELOCs and why they can be an excellent option for cash-strapped homeowners in today’s financial climate.

What is a HELOC?
A HELOC is a revolving credit line allowing homeowners to borrow money against the equity of their home. The HELOC is like a second mortgage on a home; if the borrower owns the entire home, the HELOC is a primary mortgage.
Given that a HELOC is a line of credit and not a fixed loan, borrowers can withdraw money from the HELOC as needed rather than borrowing one lump sum. This allows for more freedom than a loan and is especially beneficial for borrowers who don’t know exactly how much money they’ll ultimately need to fund their venture.

How do I repay my HELOC?
Repayment of HELOCs varies, but is usually very flexible. Many lenders collect interest-only payments during the draw period, with principal payments being strictly optional. Others require ongoing monthly payment toward both principal and interest.

When the draw period ends, some lenders will allow borrowers to renew the credit line and continue withdrawing money. Other lenders require borrowers to pay back the entire balance due, also known as a “balloon payment.” Still others allow borrowers to pay back the loan in monthly installments over another set amount of time, known as the “repayment period.” Repayment periods are generous, lasting as long as 20 years.

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Your savings insured to $250,000 per account. This institution is not federally insured.
HELOC - Continued

How can borrowers spend the money?
While home improvement projects are popular uses for HELOCs, borrowers are free to spend the money however they please. Some other uses for HELOCs include debt consolidation, funding a wedding, adoption, dream vacation or the launch of a new business.

Is everyone eligible for a HELOC?
Like every loan and line of credit, HELOCs have eligibility requirements, which help lenders determine the applicant’s financial wellness and responsibility. Most notably, the borrower must have a minimal amount of equity in the home.

Lender requirements vary, but most homeowners will be eligible for a HELOC with a debt-to-income ratio that is 40% or less, a credit score of 620 or higher and a home assessment that stands at a minimum of 15% more than what is owed.

How much can I borrow with a HELOC?
HELOC amounts vary along with three criteria: the value of your home, the percentage of that value the lender allows you to borrow against and the outstanding amount on an existing mortgage.

To illustrate, if you have a $300,000 home with a mortgage balance of $175,000 and your lender allows you to borrow against 85% of your home’s value, multiply your home’s value by 85%, or 0.85. This will give you $255,000. Subtract the amount you still owe on your mortgage ($175,000), and you’ll have the maximum amount you can borrow using a HELOC, which is $80,000.

What are the disadvantages of a HELOC?
A HELOC is secured by your home’s equity, which places your home at risk of foreclosure if the HELOC is not repaid. Before opening a HELOC, it’s a good idea to run the numbers to get an idea of what your monthly payments will look like and whether you can easily afford to meet them. Also, many lenders require the full payment of the HELOC after the draw period is over. This can prove to be challenging for many borrowers. Finally, if you don’t plan to stay in your home for long, a HELOC may not be the right choice for you. When you sell your home, you’ll need to pay off the full balance of the HELOC. You may also need to pay a cancellation fee to the lender.

A HELOC can be a great option now
HELOCs have variable interest rates, which means the interest on the loan can fluctuate over the life of the loan, sometimes dramatically. This variable is based on a publicly available index, such as the U.S. Treasury Bill rate, and will rise or fall along with this index, though lenders will also add a margin of a few percentage points of their own.

The fallout of COVID-19 may impact the economy for months, or years, to come; however, there is a silver lining among the rising unemployment rates and bankrupt businesses: historically low interest rates. The average APR for fixed 30-year mortgages has hovered at the low 3% for months now, and experts predict it will continue falling. The low rates make it an excellent time to take out a HELOC with manageable payback terms.

The economic uncertainty the pandemic has generated also makes it a prime time to have extra cash available for any need that may arise.

Are you looking to tap into your home’s equity with a HELOC?
Call 847.741.3344, visit kctcu.org, or stop by a KCT Credit Union branch today to get started. Our favorable rates, generous eligibility requirements, and easy terms make a KCT Credit Union HELOC a great choice.

Update your living space!
Learn how your home’s equity can help fund your next home improvement project.

Call 847.741.3344 to speak with an MSR and find which home equity loan is the best fit. No closing costs valued up to $310 on a home equity fixed rate loan.*

1, 2, 3, 4 For details, visit HomeLoans.kctcu.org. Restrictions apply.

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