Dear Members,

Happy New Year! I hope you had a wonderful holiday season surrounded by family and friends. The New Year gives us an opportunity to reflect on where we’re at in our lives. It also allows us to make changes and improve on our situation, whether it has to do with health, personal, or financial goals.

In this edition of the KCT Difference, learn more about the financial steps you can take to prepare for the New Year. Whether it’s evaluating or creating a budget, consolidating high interest debt, or starting an emergency savings fund for the unexpected, find out how KCT can help.

Financial Preparation
We all know that the holidays can be stressful. As we start the New Year, it’s important to take some time to sit down and prepare your monthly budget, plan for any upcoming big purchases, and make sure you’re saving for retirement.

Debt Consolidation
Did you make a resolution to reduce your debt in 2019? Sometimes it’s difficult to know where to start. Read about steps you can take and why taking out a personal loan can help consolidate high interest debt. Whether you are looking to get out of debt quickly or lower your monthly payments, KCT’s Get Out of Debt (GOOD) loan can fit your needs.

Emergencies and Big Purchases
Once you’ve created your budget and refinanced your high interest debt, read about the various ways to save for emergencies or big purchases.

Thank you for your continued support. Make sure to follow us on Facebook to stay up to date on our latest news and events!

Respectfully,

Mike Lee
President/CEO
Have you taken any steps to prepare for the financial realities of the coming year?
Here are some tips to get you started.

**Tune your budget**
It's a great idea to begin the New Year with a plan. A budget is just that—a plan that starts with the income you expect, along with your fixed expenses, such as rent or mortgage costs, homeowners association fees, insurance, utilities and transportation costs. The plan also incorporates your savings goals. Then, the money remaining is designated for your other expenses. A realistic budget will help you set your financial goals and remind you to stick to them. The first few weeks of the year gives you the perfect time to assess last year’s budget or to create a new one if you don’t yet have one in place. Reviewing where you spent last year’s money will help you make better choices in 2019. If you did not save money for retirement, for example, this can be a new budget item. While planning for the new year, make sure to include a method for tracking your spending. You can do this by using the budgeting feature in online banking. Even with a solid strategy in place, there will always be surprises along the way. Losing a job, a leaking roof or an illness can throw off your entire plan. Be sure to build an emergency fund into your budget.

**Plan ahead to meet your goals**
Next, consider how you will accomplish your goals. You’ll have short-term goals, such as purchasing a new car or home, as well as long-term goals, such as saving for retirement. Each set of goals requires a different kind of planning and saving. Experts suggest working backwards to determine how much you need to save for a specific goal. For instance, if you dream of taking an expensive vacation two years from now, determine the total cost of the vacation and then establish a reasonable time-frame and the amount you’ll need to save each month to reach that goal. Make sure the amount you plan on setting aside each month is doable, or you may just have to move your goal over by six months or more.

**Spend mindfully**
You can also make your financial future more secure by identifying the difference between your needs and wants. Needs are necessary for your survival, and include items like food and shelter. Wants are things that are not necessary but you would like—such as a luxury car or European vacation. First, tend to your needs. Then, based on what’s left to work with, consider your wants. This might sound obvious, but for many of us, the line between wants and needs is often blurred. This can lead to awfully tight financial situations, even prompting us to “borrow from Peter to pay Paul.” By clearly differentiating between what you want and what you need, you can avoid this outcome in 2019.

**Maximize retirement contributions**
Retirement plan contributions can be a valuable source of savings, especially if you have the option of employer-matched funds. If you do, be sure to take advantage of them! Also, check with your HR contact and your accountant to make sure you are contributing the optimal amount to your 401K and IRA. For the coming year, you can contribute $6,000 to a Roth or traditional IRA, or $7,000 if you are making “catch-up” contributions.
Using a personal loan to refinance your existing debt can make your debt more manageable. You’ll have one monthly payment at one interest rate instead of many smaller bills due on different days of the month.

1) Have I fixed the debt problem?

Think about why you’re in debt. If a medical bill, job loss or some other temporary hardship describes your situation, the fact that you have a job or have paid the medical bill means you’ve solved the problem that caused the debt in the first place.

If, on the other hand, you accumulated debt by overspending on credit cards, a debt consolidation loan may not be the answer just yet. First make a budget you can stick to, learn how to save and gain responsibility in your use of credit. Getting a debt consolidation loan without doing those things first is a temporary solution that can make matters worse.

2) Can I commit to a repayment plan?

If you’re struggling to make minimum monthly payments on bills, a debt consolidation loan can only do so much. It’s possible that the lower interest rate will make repayment easier, but bundling all of that debt together could result in a higher monthly payment over a shorter period of time. Before you speak to a Member Service Representative, figure out how much you can afford to put toward getting out of debt. Your Member Service Representative can work backward from there to figure out terms, interest rate and total amount borrowed.

If you’re relying on a fluctuating stream of income to repay debt, it may be difficult to commit to a strict repayment plan that’s as aggressive as you like. You can still make extra principal payments on a personal loan, so your strategy of making intermittent payments will still help. You just can’t figure them into your monthly payment calculation.

3) Is my interest rate the problem?

For some people, the biggest chunk of their debt is a student loan. These loans receive fairly generous terms, since a college degree should generally result in a higher-paying job. Debt consolidation for student loans, especially subsidized PLUS loans, may not make a great deal of sense. You’re better off negotiating the repayment structure with your lender if the monthly payments are unrealistic.

On the other hand, if you’re dealing with credit card debt, interest rate is definitely part of the problem. Credit card debt interest regularly runs in the 20% range, more than twice the average rate of personal loans.

Refinancing this debt with a KCT loan can save you plenty over making minimum credit card payments. Call 847-741-3344 to talk to a Member Service Representative today.

4) Will a personal loan cover all my debts?

The average American household has nearly $15,000 in credit card debt. If you have more than $50,000 in credit card debt, it’s going to be difficult to put together a personal loan that can finance the entire amount. It’s worth prioritizing the highest interest cards and consolidating those instead of trying to divide your refinancing evenly between accounts. Get the biggest problems out of the way, so you can focus your efforts on picking up the pieces.

Debt consolidation doesn’t work for everyone, but it can do wonders for many people. The ability to eliminate high-interest debt and simplify monthly expenses into one payment for debt servicing can change a family’s whole financial picture. KCT Credit Union has many loan options to reduce your debt, from student loan refinancing to our Get Out Of Debt loan. Call us today at 847-741-3344 to talk to a Member Service Representative to find the best loan solution for you and learn how you can start reducing your debt.
We like to think of ourselves as learning animals. We take our lived experiences, extract valuable lessons from them and use that information to improve our daily lives. This is how we get better at doing things over time. However, a recent survey from Bankrate.com shows that we haven’t yet learned the lessons of the Great Recession. While Americans paid down their debt in the months since the recovery, a shocking 26% of Americans still report having no emergency fund. Another 24% have less than three months of living expenses saved. Only 23% of survey respondents have the recommended six months of living expenses saved.

It’s not for lack of caring. The same survey reveals that 60% of Americans don’t feel comfortable with their current savings position. We all know we need to save more, but we still don’t actually do it. Why is that? Many experts say the problem is that there’s just not enough money left at the end of the month for savings. This is true no matter how much you make; fewer than half of people with incomes more than $75,000 have that six-month cushion.

Not having an emergency fund is like walking a tightrope without a net. No one likes to think about it, but what would you do tomorrow if you lost your job, wrecked your car or had to miss work due to illness? In 2008, the answer provided by many would have involved tapping into a home equity line of credit. But, when house prices began falling and interest rates rose, these people had to rely on expensive debt to finance their lifestyles. That forced them to postpone retirement, miss vacations or compromise on educational plans for their children.

You can avoid this problem. It may seem impossible to create an emergency fund, but there are always ways to squeeze a few extra dollars out of each month.

Consider these seven ideas:

1) **Start small.**
If you save $5 a week for four years, you’ve got an emergency fund of just over $1,000. That’s a great start to a rainy day fund, and you can do it by giving up one vending machine soda a day. Many people stash every $5 bill they get in a coffee can or store all their loose change. You might also consider a 52-week plan where you save $1 the first week, $2 the second, and so on. These incremental steps can make a big difference in the long term – at the end of a year, you’ll have saved almost $1,400.

2) **Take on a second job.**
It’s never fun to leave one job and head to another. Remember, though, that you’ll have to work fewer hours to build a savings than you would have to work to pay down debt. Don’t limit your search to part-time jobs. Consider freelancing, taking surveys, babysitting or selling something via home parties. You don’t need to finance another lifestyle. You just need to make enough to start a savings fund.

3) **Pay yourself first.**
Think about your savings as another bill. This mode of thinking prevents you from treating the money as discretionary and frittering it away on impulse buys and luxuries. Make your savings as important as your house payments, car payment and utility bills.

4) **Automate it.**
Consider setting up a KCT Christmas Club Account or a savings account with direct deposit or automatic transfers. This step ensures you’ll remember to take the savings out of your budget each month. With a KCT Christmas Club Account once you deposit funds into the account, they will be held. On November 1st the funds will automatically be transferred into your checking account. Christmas Club Accounts are ideal as you can save without the temptation to take money out early.

5) **Put luxury in the back seat.**
Whether it’s a fancy coffee drink, a fast food meal or the latest cell phone, things we don’t need will consume much of our income. The answer may be to cut back on our consumption instead. Go without your Starbucks on Friday or wait six months for the price to drop on a gadget. Put the difference...
6) Look at recurring expenses. 
If you’re honestly spending everything you get on your monthly bills, it may be time to look at them. Consider cutting your TV services or switching to a prepaid cell phone plan. Simply giving up a premium movie channel for a year could save you as much as $240. These don’t have to be long-term choices. Your goal should be to make temporary sacrifices to ensure yourself against future loss.

7) Don’t spend it. 
Your emergency fund should only be used for actual emergencies. Ask three questions before you take even a dollar out of your emergency fund. Is the thing I’m paying for absolutely necessary? Is there nothing I can cut back on this month to pay for it? Do I have to pay for it right now? Unless the answer to all of these questions is yes, leave the money where it is.

Every year, the Credit Union National Association (CUNA) recognizes credit unions for their efforts in supporting the credit union movement of People Helping People. Credit Unions across the country submit applications demonstrating their advocacy for their members and community. Winners are recognized in each state and go on to compete nationally with other credit unions.

In 2018, KCT Credit Union was recognized in two categories, the Desjardins Financial Education Award and the Dora Maxwell Social Responsibility Community Service Award, for our efforts in Illinois.

Desjardins Financial Education Award
CUNA created the Desjardins award to recognize leadership within the credit union movement on behalf of financial literacy of all ages. The recognition program considers all activities supporting the personal finance education of members and non-members, including, but not limited to, face-to-face teaching using proprietary materials and curricula, as well as financial literacy leadership efforts.

KCT Credit Union partnered with District 304 to provide financial literacy to new teacher orientation. It is a two day event with the first day being high school teachers in the district and the second being elementary school teachers. During this time KCT Credit Union and our strategic partner from LPL Financial were able to educate these teachers on short-term and long-term financial goals and options.

Dora Maxwell Social Responsibility Community Service Award
The Dora Maxwell Social Responsibility Community Service Award is given to a credit union or chapter/multiple credit union group for its social responsibility projects within the community. The award is given for external activities.

KCT Credit Union partnered with the Regional Office of Education in Kane County to offer a $1,000 scholarship for a Homeless/Unaccompanied Youth. KEEP, the Kane Excellence in Education Partnership, is a 501(c) nonprofit that supports and assists the academic and social/emotional needs of the children and schools in Kane County, Illinois. Through relationship building with local educators, KEEP supports professional development opportunities in order to continue to improve the education of the children in our community.

Start saving for next holiday season
Open a Christmas Club Account with KCT
Click here for details
Start the year off on a GOOD note
Rate as low as 5.99% APR*
Up to $10,000 for 36 months
Rate includes discount, click here for details.

Start the new year reducing your debt!
Schedule your own personal Debt Checkup with KCT Credit Union and ensure you are paying the best rates on your loans and credit cards.
All you need are your most recent loan and credit card statements.

Build your savings
Open our 21 month CD today!

Take advantage of your home’s equity
Use it for home improvements, as a safety net, schooling, debt consolidation and so much more!
Rates as low as 5.25% APR*
Tap here to get started

No Closing Costs Valued up to $310.00*

Rates as low as

- 2.00% APY* $10,000 - $24,999
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- 2.25% APY* $50,000 and over