Arundel Federal Savings Bank Monthly Newsletter

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In This Issue:

Special Announcement

Arundel Federal has a new appointed president

Arundel Federal Savings Bank announced today that its Board of Directors has appointed Thomas N. Herpel to the position of President and Chief Operating Officer.

Tom has been serving as the Bank's Executive Vice President and Chief Operating Officer since 2018 and succeeds Dave Costello as President. Costello will retain the title of Chief Executive Officer and provide leadership support for strategic initiatives through early 2020. He will remain a member of the Board of Directors.

"Tom has spent the majority of his career with Arundel Federal, so he is very familiar with its business model, people, history and solid reputation as a great community bank. He is the ideal choice to lead the Bank into the future. His election to President & COO is part of a transition plan that has been in process for the last two years. Tom and I will continue to work closely through the transition. He is an exemplary leader and his dedication to our culture and values have earned him the trust and respect of clients and colleagues for decades", stated Dave Costello.

Herpel joined Arundel Federal as Controller in 1991. He is responsible for the oversight of the daily operations within the Bank ensuring a focus on strategic goals; working closely with senior management to develop and implement growth initiatives as well as direct oversight of the Marketing, IT and Residential Lending departments. As he transitions into his new role, his additional responsibilities will include internal and external communications, strategic planning, goal setting and governance matters. A Maryland native, Tom graduated from the University of Maryland at Baltimore County (UMBC) with a degree in economics and a minor in accounting; he is also a Certified Public Accountant. He is a graduate of the Maryland Bankers Association School of Banking. He is a Board member and Treasurer of the Chesapeake Arts Center, Inc.

Save the Date

Arundel Federal's Fall Events

Mark your calendars for upcoming Fall events!!!

Fall Food Drive: Monday, October 21, 2019 - Friday, November 15, 2019: All branch locations of Arundel Federal Savings Bank will be collecting non- perishable food donations for local pantries.

2019 Toy Drive: Monday, October 28, 2019 - Friday, November 22, 2019: All branch locations of Arundel Federal Savings Bank will be collecting new, unwrapped toys.

Veterans Day Parade: Sunday, November 10, 2019 at 2pm - 4pm: Come watch us walk the parade honoring our veterans.

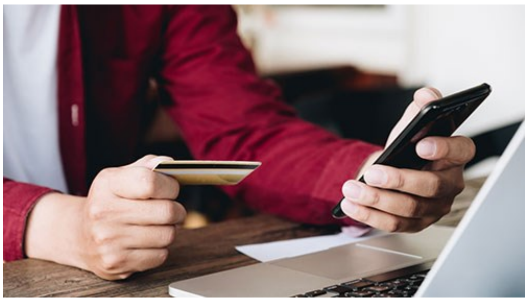
Follow Arundel Federal's Facebook page for most recent event updates.

Why You Need to Know Interest Rates

Understanding interest rates and why they matter

When you invest your money or take out a loan, you're affected by an interest rate. Understanding what an interest rate is and how it works impacts how much money you keep or how much you pay out. To help you navigate the interest rate system, here is a guide to the basics.

What is an interest rate?



On a fundamental level, every interest rate involves a lender temporarily giving money to a recipient. The corresponding interest rate for that transaction is, according to Bankrate, "the proportion of an amount loaned which a lender charges as interest to the borrower, normally expressed as an annual percentage."

You typically associate interest rates with being on the receiving end of the loan, such as charges for credit cards and mortgages. But you act as a lender when you entrust a lending institution with your money, which is why you receive a small amount of money deposited in your account that accrues from the interest rate itpays you. If you're paying the interest, you're being charged an annual percentage rate, widely abbreviated as APR. If you're receiving payments from interest on a financial account or investment, you're benefitting from an annual percentage yield, or APY.

Why does an interest rate matter?

That interest rate isn't just a number — it affects how much you have to pay for a loan or how much you'll benefit from loaning your money to a specific party. That's why it's crucial to know what the interest rate you're agreeing to is and understand how it will impact your finances. Barbara Friedberg of SmartAsset advises, "Before you commit to borrowing money it's important to know what your interest rate will be. If you can, it's best to avoid high rates like the plague."

Understanding interest rates

There are two primary types of interest rates: simple and compound.

A simple interest rate is a consistent rate applied to the entire amount of the loan over the course of the repayment period. Caroline Banton of Investopedia outlines the formula for calculating as principal multiplied by the interest rate multiplied by time. So, a loan of $300,000 for 20 years at 15 percent would equal $900,000 in interest.

Compound interest, on the other hand, charges interest on the principal during previous periods (usually every year) in addition to the principal itself. Because the interest charged increases every year in the compounding system, the bottom-line interest paid can be much higher by the end of the term. You can calculate annually compounding interest using the formula $A = P(1 + r/n)^{nt}$.

Interest rates can also fluctuate during the loan term based on variables like the borrower's repayment timeliness and changes to the prime rate.

What you can do

Interest rates are not identical across the board. They vary based on many factors, including the borrower's credit history, the economy, the type of loan being made, and how fervently either party wants the transaction to take place.

Thus, being able to identify and act on a good interest rate is crucial to managing your finances. When interest rates are low, that's a good time to take out a loan. When interest rates are high, try to wait for them to decline again. Look for high-yield interest rates on investment and financial account offers.

Also, determine what's the best repayment schedule you can afford for your budget to minimize the interest cost. Financial experts at Mozo explain, "On many loans, you'll have the option to make repayments weekly, fortnightly or monthly. Which one you choose will depend on your budgeting style. More repayments means less interest, because of the effects of compounding, so weekly repayments will save you some money."

If you need assistance calculating the cost or yield of an interest rate to decide when to act and when to pass, talk with your financial advisor.

Identifying Your Wants Vs. Your Needs

Practices that reduce your spending and save you money

The foundation of successfully managing your finances is budgeting, and a pillar of budgeting is learning to distinguish your needs from your wants. If you can't differentiate those, you could wind up overspending on luxuries that you can't afford.

Give your budgeting skills a refresher by improving your ability to distinguish your wants from your needs.

Why should you budget for your wants?

If something makes you happy, why should you deny yourself that pleasure? Haven't you earned that indulgence for working hard every day?

The problem with this mentality is that it can quickly develop into a habit that's hard to break when you should be saving money for long-term expenses like a down payment on a house or repaying debt. Immediate, fleeting indulgences can rapidly consume your bank account and dictate your spending habits. Plus, many of these momentary desires can be discarded and forgotten quickly after you buy them.

If you want to successfully plan and achieve your long-term lifestyle goals, you need to identify and control your inessential expenditures.

Ways to discern wants from needs

Courtney Jespersen of NerdWallet has a great technique to identify your essential needs: if removing a particular expenditure would directly impact your ability to live or work, that expense is probably a need. She identifies the most common needs to be housing, transportation, insurance (automotive, home and medical), home utilities and food.

Wants, on the other hand, are "expenses that help you live more comfortably," according to Jespersen. You could cut these expenditures and still live and work as you currently do, just not as indulgently or gratifyingly as you used to.

The grey area between wants and needs

Separating wants from needs isn't necessarily a black-and-white matter. Oftentimes, expenses are on a sliding scale that make distinguishing them challenging.

For instance, a car is an important need for many people so they can commute to work and buy groceries, but the actual vehicle they choose and its amenities can become a want if a more extravagant model is desired. The same goes for other expenses, such as food. Sustenance is a need, but that prime rib isn't.

Drawing a line

As Paula Pant of The Balance points out, it's hard for a person to see their own wants as anything other than a need, especially if you've grown accustomed to having that luxury on a daily basis. For instance, your streaming video subscription, morning coffee, makeup, internet service or even your smartphone (some companies do still offer pre-paid basic phones). It's hard to think of your life without these amenities, but unless their removal directly hinders your ability to do your job or remain alive, you should budget for these expenses as non-essential.

If you're struggling to figure out what expenses are non-essential, consult a friend whom you trust and consider prudent. Additionally, an outsider can bring an unbiased perspective to your spending habits that you can't on your own.

A good budgeting technique for wants

Pant suggests following a 50/30/20 budget: 50 percent of post-tax monthly income goes to needs, 30 percent to wants and 20 percent to savings/debt reduction. She concedes that you shouldn't cut every single want you desire, but limiting how much of them you buy every month forces you to prioritize which are more worthwhile to you. You're prioritizing based on satisfaction, not just desire.

Being able to distinguish and prioritize your desires is essential to achieving your financial goals and reaching a lifestyle down the road in which you'll have more disposable income to spend on your wants.

Common Financial Fees

Bank account charges you can easily avoid

You're working hard to build up your financial accounts by filling them with the money you've earned. When you look at your monthly statements, sometimes you might notice some of that cash being deducted to pay a variety of fees. Learn more about some of the most common ones, and research to see which ones apply to you.

Paper statement fee

Kevin Mercadante of My Bank Tracker cautions that if you're still receiving paper bank statements every month, you're probably being charged for that. "The cost of printing, preparing and paying postage on many thousands of bank statements each month is a major expense. Virtually all banks today are operating online, enabling customers to pull up statements on the banking platform … In an attempt to phase out paper statements, banks are now charging fees for each statement mailed." How do you avoid this charge? Simply enroll in digital statements instead of paper statements. You can print off the statements on your own printer if you still prefer a hard copy.

ATM fee

If you withdraw money from an ATM your bank is not affiliated with, you will be charged a fee. ValuePenguin explains that "When you use an ATM that isn't operated by your own bank to make withdrawals, deposits or even simple balance inquiries, you can run into a bundle of extra fees." The total amount charged can vary but is usually between $2-3, combining costs charged by the bank of the ATM you're using and your own bank for going out-of-network. You may be able to avoid this fee, though, if you have ATM fee reimbursement on your bank account.

Minimum balance or monthly maintenance fees

ValuePenguin identifies that "Banks charge monthly checking account maintenance fees … to account holders who don't meet minimum balance or monthly deposit requirements." Practically every bank requires you to have at least a certain amount of money in your checking account, and if you go below that amount at any point, you're charged a fee. If you don't deposit enough into that account often enough, you're also charged a fee.

Both of these fees can be avoided by monitoring how much money you have in your checking account and how much you're depositing on a regular basis. Check the requirements of your checking account to ensure you're within its parameters.

Inactivity Fee

Make sure you're not letting your bank account sit for months without any money going into or out of it. Neglecting a bank account can cost you, as you'll be charged for inactivity. After a certain period of time, you'll be charged a hefty escheat fee before the account is closed and the balance transferred to the state treasury, warns Susannah Snider of U.S. News & World Report.

Excess transaction fee

Be careful if you rely on your savings account too much to avoid taking money out of your checking account. You can also be charged a fee for withdrawing from your savings or money market account too often. According to Better Money Habits, the fee will increase per additional transaction, but they can be avoided if you don't use your savings account for everyday withdrawals and bill payments.

Overdraft or returned item fees

If you try to take out more money from your account than you have in it, you'll be charged one of these fees. Better Money Habits explains that "Overdraft coverage or protection allows purchases to go through — for a fee — even if you don't have enough funds in your checking account," whereas if you don't have overdraft coverage and a check bounces, you'll receive a returned item fee. The best way to avoid these is making sure your account balance isn't less than the amount you're trying to remove.

Account closure fee

It's never a good idea to open a bank account and quickly close it right afterward. If you don't keep a new bank account open for at least six months, expect to pay a fee for doing so, warns Snider. Banks want your loyalty, not your quick enrollment to take advantage of a sign-up bonus.

If you maintain your account regularly, monitor its balance and follow these guidelines, you shouldn't have to worry about many of these fees.

How Marriage Affects Debt

Know your liabilities if you're marrying someone with debts

Finding the person you want to spend the rest of your life with is a wondrous feeling, but that head-over-heels elation can distract you from the important questions you need to ask yourself when deciding whether to marry that person.

Sharing your life means sharing the good and the bad, and that includes your finances. If you or your partner have existing debts, it's important to know how your marriage will affect those financial obligations.

Community property rules

One of the main determiners for determining if you're liable for your newly married spouse's debt isn't the type of debt it is but rather where you live. Most states treat existing, non-shared debt as individual obligations (referred to as "common law"), but a handful of states follow common property laws.

According to Rebecca Lake of The Balance, certain states following community property rules can treat debt incurred during a marriage as the equal responsibility of both partners, even if one spouse didn't co-sign on the loans. These states are Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin. So, depending on where you live, be prepared to be responsible for your partner's debt even after a divorce.

Student loan debt

If your partner took out loans to pay for college before you were married, you will not be responsible for your partner's student loan debt once you're legally joined. However, that doesn't mean your marriage won't be affected by student loan debt or vice versa.

In an article for The Wall Street Journal, Cheryl Winokur Munk quotes Persis Yu, director of the National Consumer Law Center's Student Loan Borrower Assistance Project. Yu explains that if the debtor is enrolled in an income-based repayment plan, your combined household income could dramatically affect that repayment arrangement. You could work around that by filing your income taxes separately, but separate filing has greater impact on your household's finances than just the student loan debt, so you have to look at all the penalties and deductions before deciding.

If your partner decides to return to school after you marry and takes out loans to pay for it, you could be responsible for repayment. Cheryl Winokur Munk identifies that student loan debt contracted during marriage could result in the spouse being contacted by creditors if the debtor defaults on payment, especially if you're a co-signer.

Credit card debt

If you're worried that your future partner's credit card debt will be your responsibility, you don't have to be concerned. Attorney Baran Bulkat of NOLO confirms that unless the credit card is a joint account with your name attached, the debt won't become yours when you're joined in matrimony. The majority of states track credit card debt by social security number. The only complication could be if you live in a community property state and the credit card debt is incurring during your marriage.

The same goes for medical, automotive and other types of debt, according to attorney Cara O'Neill of NOLO. Debts incurred by your spouse are not your responsibility unless you live in a community property state.

A mortgage

According to Amber Keefer of PocketSense, you're not responsible for your spouse's mortgage if you're not a co-signer on the loan or documented as a co-owner of the property. However, the lender can foreclose on the home you're living in with your partner if he/she doesn't repay the mortgage on time. Plus, if you inherit the property from your partner, you are responsible for paying off the remainder of the loan, especially if you sell it through a reverse mortgage.

If you're uncertain how the law will impact your financial situation, discuss your debts with a financial advisor.

Financial Tips for Going Back to School

Financial tips for mature learners

If you're considering going back to college to boost your credentials, you're probably on the lookout for money-saving strategies. Here are five dollar-stretching tips to keep you at the top of your class.

Fill out FAFSA

If you're looking to continue your education, your first stop should be the Free Application for Federal Student Aid website. FAFSA requires your income, housing and tax information, so be sure to have last year's tax return ready when you apply. Plus, most colleges and universities require that you complete the FAFSA to become eligible for other funding opportunities, including grants, scholarships, federal loans and federally subsidized work-study jobs.

Get grants and scholarships

While most grants and scholarships are directed at younger students, there are plenty of opportunities for older, non-traditional students as well. According to Forbes contributor David Randall, websites like Scholarships.com and FastWeb can help you find scholarships based on your demographic characteristics, like age and location. You can also receive grants based on financial need, such as the Federal Pell Grant, along with merit-based grants.

Take advantage of employer benefits

Before taking on debt from federal or private student loans, check to see if your current employer offers educational benefits. Alexa Mason, a contributor to The College Investor, explains that some companies may help you cover the cost of your education — especially if your degree will advance your current career. Employers can pay up to $5,250 per year for your classes — and it won't count as income for you, as long as it's a benefit that's offered to all employees. Further, if you've served on active duty in the military for more than 90 days since Sept. 10, 2001, you qualify for the Post 9/11 G.I. Bill. Depending on how long you served, the military may cover your tuition and fees, while providing a stipend for your books, supplies and housing.

Look into low-cost programs

Depending on your career goals, current skills and employment status, you might qualify for free or low-cost courses. These programs run the gamut from counseling to computer programming. Furthermore, some states provide free or low-cost programs based on industry demands. For instance, Florida has a free program to help train registered nurses, while North Carolina offers its residents an education in pharmaceutical and biotechnology fields. With so many potential opportunities, be sure to check your state's offerings.

Know your tax benefits

Older students can take advantage of some notable tax credits and deductions. The Lifetime Learning Credit is geared towards adults attending school part-time. John W. Roth, a senior tax analyst, explains that it boasts a credit equal to 20 percent of qualified education expenses up to $10,000. In other words, that's $2,000 taken directly off of your tax liability. Better yet, you don't even have to enroll in a degree-granting program to use this credit, and you can use it for as many years as you're studying. Just keep in mind that the credit diminishes as your income rises. Singles who earn an adjusted gross income of $58,000 or more and couples who earn above $116,000 don't qualify for the Lifetime Learning Credit.

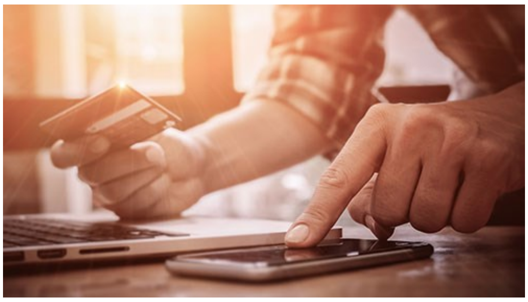
Are you looking to head back to campus or earn the degree you've always dreamed of having? Talk to your financial advisor to learn more about your options for continuing your education.

Extra Steps to Secure Your Online Banking Profile

Tips to help safeguard you when banking online

Online banking is a modern-day service that provides convenience if you often find yourself on the go. When banking online, you never have to worry about waiting in line or making it into a branch before the close of business. You can simply pay bills and move money around using your home computer, smartphone or other compatible device. This convenience can turn into a major hassle, however, if you don’t properly safeguard your online banking profile.

Power up your password



The strength of your account passwords, determined by the number and uniqueness of characters, can make all the difference when it comes to an identity thief or hacker accessing your information. Although using memorable dates like your birthday or home address make it easier to recall, those numbers will also be easy for even strangers to figure out. The Federal Deposit Insurance Corporation (FDIC) recommends using a password with numbers, lower- and upper-case letters and special symbols like exclamation and question marks. One method for doing this would be to create a password phrase that is unique and easy for you to remember.

It’s also crucial to create different passwords for each account and app you use. If an email account or online shopping login is compromised, and it shares the same password as your banking, identity thieves will be able to access that information. The FDIC also advises regularly changing passwords — usually about every 90 days or so — and never staying logged in to your online banking after you have completed your transactions.

Bank with a trustworthy institution

You should have complete trust in the financial institution you work with, and part of that trust is built by choosing an institution that invests in industry-sanctioned security protocols and policies. NerdWallet writer Margarette Burnette suggests looking for a financial institution that requires multifactor authentication when logging into your online banking profile.

Instead of logging in with just traditional username and password, multifactor authentication will prompt you to provide one more piece of identifying information