Arundel Federal Savings Bank Monthly Newsletter

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In This Issue:

- **3 Creative Ideas for Your Vacation Photos**
  Sharing your trip with loved ones
- **3 Delicious Recipes You Can Make with Leftovers**
  How to easily turn your holiday leftovers into new meals
- **5 Lesser-Known Holiday Movies to Watch This Year**
  Don’t miss out on these underrated holiday gems
- **6 Ways to Optimize Your Walking Workout**
  How to make greater strides toward health and fitness
- **Get Fancy at Home with These Charcuterie Board Ideas**
  Improve your platter arrangement skills by learning the secrets of a successful charcuterie
- **Handling Your Taxes When You Retire Overseas**
  Keeping Uncle Sam happy while living your dream abroad
- **Holiday Decor Ideas for Small Apartments**
  Spruce up your abode for the most wonderful time of the year
- **How to Volunteer Virtually**
  Giving back from the comfort of your own home
- **Learn About Cryptocurrency**
  Decrypting the basics of digital currency
- **Oh, What a Year! 2020**
  A New CEO, A Pandemic and Customer Appreciation Week
- **Organizing and Storing Your Online Passwords**
  Safe ways to organize and store your online passwords
- **Refinancing A Loan**
  Introduction to loan refinancing
- **Should You Get Full Coverage or Liability Car Insurance?**
  How to decide which types of coverage your car needs
- **The Financial Accounts Everyone Should Consider**
  Protect your money and plan for the future with these financial accounts
- **The History of Kwanzaa**
  A seven-day celebration of powerful principles and beloved traditions
- **The Pros and Cons of Multiple Savings Accounts**
  How to wisely manage your money
- **The Risks of Investing in Bonds**
  Not all bonds are as stable as you may assume
- **Unique Gadgets to Upgrade Your Kitchen**
  Make cooking more enjoyable with these convenient tools
- **What’s New at Arundel Federal**
  A New Hire, New Promotions, and a Retirement

Oh, What a Year! 2020

A New CEO, A Pandemic and Customer Appreciation Week

The year 2020 started out very promising; no snow days, a new President & CEO and ready to begin our new year goals. It was work as usual. We were keeping up with the news of a Coronavirus - not yet named COVID-19 and not yet labeled a pandemic.

In late February - early March, positive cases reached Maryland. We closed our branch lobbies on March 17th which was soon followed by Governor Hogan's Stay at Home orders. More than ever, we encouraged our customers to bank with us in other ways:

- You can open accounts online.
- You can deposit checks with your mobile phone.
- You can get cash from our ATMs.

Our drive-thrus were the primary way to bank for a lot customers while our lobbies were closed.

During this time, because we are considered an essential business, we stayed open and we stayed busy setting up Payment Protection Program (PPP) Loans for local businesses, funding new home mortgages, and opening new accounts.

Effective May 15th at 5 pm, the stay at home order was lifted for Marylanders. We moved to Stage 1 followed by stage 2 then re-opened our branch lobbies with a new look: hand sanitizing stations, sneeze guards, Covid-19 questionnaire prior to entering and more. Remember, mask on and stay 6-feet apart.

We continued through the rest of the summer with the 'new' business as usual. This autumn, positivity rates quickly increased and, as a precaution, we closed all branch lobbies again. All drive-thrus remain available to our customers at regular business hours.

Before we end the year, we want to thank all our customers for their patience with all the unusual challenges we've faced this year. We invite everyone to join us December 14th through the 19th for our Annual Customer Appreciation Week. Be sure to stop by one of our drive-thrus to get your goodie bag full of giveaways.

Stay safe and be well! We wish you Happy Holidays and a New Year! Thank you for choosing us as your local Bank. We look forward to what 2021 will bring.

What's New at Arundel Federal

A New Hire, New Promotions, and a Retirement

We welcome a new addition to our Home Lending Team, congratulate four employee's promotions: two Customer Service Representatives, an Assistant Branch Manager, and a Staff Accountant; and bid farewell to one member of Arundel Federal's branch staff.

Joining our loan team, we welcome Kevin Michno, a seasoned executive with more than 30+ years in the mortgage and banking industry and a licensed Real Estate agent. Kevin joins AFSB as a Residential Mortgage Loan Originator specializing in high balance, jumbo and construction permanent loans. He can be reached at KMichno@ArundelFederal.com or 410-935-8338.

Congratulations to Samantha Toomey and Shalonda Jennings, both promoted to Customer Service Representatives (CSR). Samantha has been with Arundel Federal a little over a year and was promoted from a Teller. Shalonda has worked with Arundel Federal since 2013 and was promoted from Head Teller.

We also want to congratulate Susan McNeice who was recently promoted to Assistant Branch Manager at Glen Burnie. Susan has work at Arundel Federal since 2017 and was previously the CSR at the same location.

Congratulations as well to Brian Monterroso. Brian has been promoted to Staff Accountant. He has been with Arundel Federal since 2012 where he began as a Teller.

Finally, we say farewell to Brenda Harmon, Assistant Branch Manager. After 17 years with Arundel Federal she has decided to start a new chapter in her life: retirement. Brenda looks forward to spending more time with family and volunteering at the American Legion Veterans Organization. We wish Brenda all the best!

The Financial Accounts Everyone Should Consider

Protect your money and plan for the future with these financial accounts

Diving into the choppy waters of financial planning can feel intimidating, especially when you realize just how many types of accounts there are. Thankfully, many experts agree that there are a few accounts everybody should consider holding to keep your money organized, set you up for the future and even help grow your wealth.

Checking

Everybody has monthly expenses, and there are numerous reasons why separating the money you expect to spend from the rest of your funds can be advantageous. To start, it helps you keep better track of how much of your income is devoted to expenses — both vital and recreational. A checking account also gives you a centralized place from which to draw funds for everything from rent to car repairs to subscription services.

By compartmentalizing your so-called “spending money” from the rest of your finances, you can see which behaviors will benefit you in the long run and which will hurt.

Savings

Any money that you don’t need to apply directly to rent, utilities or any other expenses should be placed in a savings account. The idea is that a portion of whatever income doesn’t go to your checking account goes directly to savings. Eric Rosenberg of Business Insider says that the separation of savings from spending money can stop you from being tempted to spend frivolously. As a bonus, you can use saved funds as a way to accrue even more wealth thanks to interest rates.

Emergency

Emergencies tend to pop up when we’re least prepared for them. As such, it’s a good idea to put some of your money aside for unexpected incidents. If this account is separate from your central accounts, you’ll know exactly how much you can afford to spend for vehicle repairs, home maintenance and health issues without pulling funds — and potential income — away from the place in which they grow in value.

Mic.com’s Christy Rakoczy encourages you to keep this money in an account that’s easy to access – like a separate checking account. It puts up a barrier between this fund and your spending money, but still makes it available when desperately needed without a trip to a financial institution.

Retirement

Even if you’re just beginning your career, it’s never too early to start preparing for your retirement. In fact, the sooner you start saving for your later years, the better. Intuit’s MintLife blog states that there are numerous ways to put away money, including 401(k)s and IRAs.

According to Investopedia’s Julia Kagan, 401(k)s are traditionally sponsored by employers, and you send a portion of each paycheck to the account. Some businesses may even make matching contributions, adding to your overall balance. However, if you’re self-employed or your company doesn’t match contributions, it may be better to opt for an IRA — or an Individual Retirement Arrangement. Nerdwallet’s Dayana Yochim and Andrea Coombes site the most significant advantage of choosing an IRA as the range of investment opportunities the plan affords you.

Ultimately, the financial accounts you choose depend on your needs and personal situation. For more information, contact a trusted expert.

The Risks of Investing in Bonds

Not all bonds are as stable as you may assume

You're depending on your assets to support you throughout your life — especially once you retire — so it's important that you invest your money in a way that's secure and stable to yield the financial returns you're relying on. Because they're seen as a more stable alternative to stocks, some investors choose to put money into bonds such as municipal bonds, commercial bonds, savings bonds and treasury bonds. However, these investments aren't free from risks either and can result in fiscal setbacks, so make sure you're aware of these risks before investing.

Interest rate risk

Because the bond investment process involves lending money to the bond issuer in exchange for interest payments, the financial payoff is directly tied to interest rates, which are constantly fluctuating. Chad Langager explains in an Investopedia article that high interest rates are better for bond investors because those result in higher yields or returns available on bonds. "When you buy a bond, you commit to receiving a fixed rate of return (ROR) for a set period. Should the market rate rise from the date of the bond's purchase, its price will fall accordingly. The bond will then trade at a discount to reflect the lower return that an investor will make on the bond."

However, there's always the possibility that interest rates will plummet. "Falling interest rates will result in rising bond prices, and falling yields," Langager says. The investment experts at Davy Select recommend assessing a bond's term length and the outlook for interest rates before choosing to invest. Just like investing in stocks, you don't want to buy in when market prospects aren't looking promising.

Duration risk

It's crucial for you to know the term length of your bond, because bonds with high durations are more likely to fluctuate based on interest rates. Although duration is noted in years, it's also an indicator of the investment's volatility. "If you buy a bond that matures in 30 years, it could fluctuate far more violently than a bond that matures in two years," explains The Balance writer Joshua Kennon. Sometimes, bonds can be just as unstable as stocks are. Thus, although bonds are generally more stable than stocks, it's important to know the details of the bond you're investing in so you're not making an unanticipated risk.

Credit risk

Unfortunately, not every bond issuer is trustworthy or in high credit standing. The issuer might not make the scheduled interest or principal payments, which results in you not receiving the financial returns you're anticipating. That's why it's important to analyze the ratings of an issuer to know the credit risk of a bond they're distributing. "Most bonds face a possibility of default," explains the Financial Industry Regulatory Authority. "This means that the bond obligor will either be late paying creditors (including you, as a bondholder), pay a negotiated reduced amount or, in worst-case scenarios, be unable to pay at all." Keep in mind, then, that there's always a chance you won't earn money by investing in bonds, because even a promising issuer might wind up defaulting.

Liquidity risk

A bond's real-life value depends heavily on how interested investors are in it. If people don't perceive a bond to have much value and thus aren't interested in purchasing it, that bond won't have much actual value. This is particularly pertinent during the buy/sell process, where a strong desire for a bond translates to high liquidity. "A sign of liquidity, or lack of it, is the general level of trading activity: A bond that is traded frequently in a given trading day is considerably more liquid than one which only shows trading activity a few times a week," explains the Financial Industry Regulatory Authority. If a bond, therefore, is illiquid, the seller may have to relinquish it at a far lower price than desired, resulting in a financial loss.

Bonds are also affected by factors like inflation, international unrest (if you invest in foreign bonds) and issuer changes within the issuing organization. Just like any other type of investment, bonds come with their own risks. Make sure you carefully consider what type of bond is best for your investments and know the risk you're taking with your money. If you need guidance on making the right decision, talk with your financial advisor.

Refinancing A Loan

Introduction to loan refinancing

Refinancing a loan involves replacing an existing loan by paying off the debt with a new one. Ideally, the new loan has better terms or features to make the process worthwhile. This can help save you money in the long term or make your life easier in other ways.

How refinancing a loan works

According to Justin Pritchard, CFP, “you can refinance a home loan, an auto loan or just about any other debt.” Consumers typically seek to do this to obtain more favorable borrowing terms in response to shifting economic conditions. For example, if your financial situation has worsened since taking out the original loan, you may be able to stretch out the term of the refinanced loan to lower your monthly payments. If your credit score has improved, you may be able to get a rate reduction. Just remember that refinancing will not reduce or eliminate your original loan balance — in fact, Pritchard says there’s a risk it could grow. “This might occur if you do a cash-out refinance where you take cash for the difference between the refinanced loan and what you owe on the original loan, or when you roll your closing costs into your new loan rather than pay them upfront,” Pritchard writes.

Types of refinancing

There are multiple types of refinancing options, some of which may better suit your needs than others. According to financial reporter Alexandra Twin, the most common type is rate-and-term refinancing, which occurs when a new loan with a lower interest rate pays for and replaces the original one. Another option is cash-in refinancing. Twin says this “allows the borrower to pay down some portion of the loan for a lower loan-to-value ratio or smaller loan payments.” Other options include cash-out refinancing, which can increase your total loan amount while giving you immediate access to cash, and consolidation refinancing. Work closely with a professional at your financial institution to determine the best option for your personal situation.

When refinancing makes sense

There are four common reasons to refinance a loan. The first is that your credit score has improved — perhaps because you have been diligent in paying off the very same loan you wish to refinance. NerdWallet writer Steve Nicastro says that if your credit has moved into a higher tier, such as above 720, you probably qualify for lower interest rates. Refinancing can thus save you money.

Another common reason to refinance a loan is to extend your repayment term. This lowers your monthly payments, leaving you with more money left over after you’ve paid all your expenses. However, you need to weigh that benefit against paying more in total interest and being in debt for a longer period of time.

If you feel your current loan is too long and you can handle paying more every month, you can refinance to a shorter-term loan to reduce total interest fees. And if your loan has a variable interest rate, Nicastro says refinancing to a fixed rate “will result in consistent monthly payments and provide more certainty in your budget.”

Before shopping for rates and terms at financial institutions and online lenders, talk with your current lender. It may be willing to work with you to offer you a better deal than your existing loan.

Learn About Cryptocurrency

Decrypting the basics of digital currency

In recent years, cryptocurrency has been a booming topic among investors. Just like traditional currency, you can exchange it for services, products or other types of cryptocurrencies. You can also cash it out, much like chips at a casino. However, these digital currencies have many key differences when it comes to storage, transactions and volatility. Before you invest, consider these factors.

Understanding the basics

Cryptocurrency is a form of digital payment. It earned its name because it uses advanced cryptography to keep your money secure. While traditional currency is managed by organizations like the Federal Reserve or World Bank, cryptocurrencies are unregulated. No governing body oversees the production of new units of exchange, called coins or tokens. Instead, they are created through a process called mining, in which user's computers solve complex problems that are used to maintain the cryptocurrency system. This allows their value to be dictated by user supply and demand, according to Investopedia contributor Andrew Bloomenthal. This makes it a highly volatile and unpredictable investment.

The benefits of cryptocurrency

A few factors have been driving forces behind cryptocurrency's meteoric rise in popularity. Enthusiasts praise the unregulated nature of cryptocurrency. Since no authority manages the supply of digital coins, supporters claim that it's less prone to losing value due to inflation, explain Royal and Voigt. Speculators are also fond of these virtual tokens, since they have a tendency to grow in value, while others value their anonymity, security and low transaction fees.

Getting started

You'll first need to download a digital wallet. They're available for both desktop computers and smartphones. You'll need to connect a checking or savings account to your wallet in order to begin investing. Once you've added money to your wallet, you'll be able to buy, cash out, store, send and receive tokens. According to Eric Rosenberg, a contributor to The Balance, popular wallet software options include Coinbase, SoFi and Ledger. And while many wallets are free to download, keep an eye on the fine print. Rosenberg warns that some wallets have transaction fees and currency conversion charges.

Choosing your cryptocurrency

Cryptocurrency goes far beyond Bitcoin — there are thousands of options available. While Bitcoin remains the largest and most popular cryptocurrency, other popular options include Ethereum, Tether, Monero, Litecoin and Ripple, according to Nathan Reiff, a writer for Investopedia. Aside from allowing you to diversify your portfolio, each cryptocurrecy has unique perks. For instance, Reiff explains that Tether attracts investors due to its stability, Litecoin offers fast transaction processing times, while Monero prioritizes security and privacy in all of its transactions.

Safeguarding your investment

While cryptocurrencies are known to be risky, there are ways to minimize your chances of losing money or having it stolen. First and foremost, consider the wallet you are using. There are countless options on the market, so it's important to do your research to make sure that you're downloading an app that's free from malware, cautions Nathan Wenzler, a cybersecurity expert. Furthermore, if you forget your password, you won't be able to access your digital currencies. Since writing down a password is unsafe, you most secure option is purchasing a physical wallet device for your coins, according to Ellen Chang, a financial writer at U.S. News and World Report. This piece of computer hardware will securely store the private data you need to complete transactions. However, if you lose the hardware wallet, your tokens will be gone, too. Therefore, Wenzler recommends dividing up your coins and storing them in separate locations.

If you're interested in learning more about cryptocurrency, there are many informative finance websites, blogs and podcasts on the topic. The world of cryptocurrency is always growing and changing, so make sure you read up-to-date sources. Before investing, consider consulting with a financial advisor who is familiar with the topic.

The Pros and Cons of Multiple Savings Accounts

How to wisely manage your money

When you want to securely store your money, you can choose to open one or more savings accounts at a financial institution. If you're unsure how many accounts to open, it's a good idea to keep the advantages and disadvantages of having multiple savings accounts in mind before making a decision.

Meeting your financial goals

If you have clear financial goals that you want to meet, Ellen Chang, contributor to U.S. News & World Report, says that having a set account for each goal can provide the motivation to save more. You may have different accounts dedicated to emergency situations, vacations, car payments and other objectives. By having these different accounts, you can more easily check your progress toward each objective, according to Justin Pritchard, writer for The Balance. In addition, Pritchard says you can better budget for monthly and annual expenses when these have their own accounts.

As Pritchard also notes, you may feel more upset taking money out of a savings account that's devoted to a goal you deeply care about, and this may stop you from buying unnecessary expenses. Meanwhile, if you are joyful seeing your balance increase over time, you may have positive reinforcement to keep saving money for a specific account.

Keeping track of your accounts

One major downfall of having multiple accounts is that it's more difficult to stay aware of each account's balance, according to Chang. Rebecca Lake, contributor to Forbes, also says that transferring money between different accounts and scheduling withdrawals may be confusing, even if you have a budgeting app.

To make managing multiple accounts a bit easier, Pritchard advises that you receive direct deposits of your paycheck and request your employer to send your earnings evenly to multiple accounts. However, Pritchard says your employer may not be able to pay you this way, and you may still need to schedule transfers from your checking account to your savings accounts.

If you're unsure whether to have one or several savings accounts, speak with a financial advisor to learn about which options are right for your specific situation.

Should You Get Full Coverage or Liability Car Insurance?

How to decide which types of coverage your car needs

You're required by law to have car insurance, but what type and amount of coverage you have is up to you. One of the components of auto coverage you have to weigh is if you want full coverage or just liability insurance. Understanding the difference between these and their purposes can help you determine which route is best for you.

The difference between full coverage and liability-only coverage

Having car insurance helps protect you financially in the event of a car accident or other automotive loss. It's required for your own good and so anyone you cause vehicular damage to can afford repairs.

The bare minimum auto coverage that most states require is for liability. The editors of insurance company Cover's online blog provide this definition: "Liability insurance exists to cover the potential cost of damage you may cause to others when driving. This could be the cost of medical care for people injured in an accident or the repair cost of damage to other vehicles."

Full coverage adds two more types of coverage: collision and comprehensive. Cover's editorial staff explains that these address damages to your vehicle, which liability doesn't do. Collision is for when something happens to your vehicle while you're driving it.