Education First Federal Credit Union eNews

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In This Issue:

Simple Ways to Walk 10,000 Steps a Day

How to ensure that you are meeting your fitness goals on a daily basis

With the increasing popularity of health and fitness tracking devices, Americans are becoming more attuned to the idea of walking 10,000 steps every day. Both the American Heart Association and Centers for Disease Control endorse the goal as a means to help individuals stay fit, but the number of steps itself might seem insurmountable to someone who is tethered to sedentary obligations for much of the day.

Walking 10,000 steps every day might actually be simpler than it seems, however. It may merely take a steady and consistent approach, requisite motivation and a few simple tricks.

Force yourself to walk where you otherwise would not

Since a 10,000-step total is not a small distance to cover, it is perhaps not the wisest or most practical approach to attempt to achieve it all at once. As such, U.S. News & World Report recommends a number of methods that one can undertake throughout the course of a day to achieve the 10,000-step goal.

If you drive to work on a daily basis and find yourself hunting for the spot closest to the building, instead give yourself an extra five minutes, park in a spot further away, and take more time walking to the office. Once you are in the building, take the stairs instead of the elevator, and be sure that you take a five-minute break to walk a little ways every hour if possible.

If you are in a supervisorial role, consider bringing your team along for walking meetings. When it comes time for your lunch break, pack a small and portable meal and spend the hour walking.

When you get home, take your dog for a walk instead of letting him out in the yard. When doing household tasks like washing dishes or preparing dinner, consider walking in place or pacing while doing so. After you have eaten dinner, consider going for an evening stroll, and walk the length of your home while brushing your teeth before bed.

Motivate yourself properly

There may be no better way to pad your daily step number than by breaking that number down into more digestible bites. Sparkpeople.com recommends attempting to parse out steps into thirds – walking in the morning, day and evening – or trying to work in 1,000 steps every hour during the work day.

Bringing a friend in on the charge of walking 10,000 steps is also effective at amplifying motivation, creating a naturally nurturing environment that allows for mutual encouragement. If you and your partner like to catch up with one another after work, consider doing it on a 15 – 20 minute walk around the neighborhood when weather permits.

Ultimately, it is important to remember that walking 10,000 steps a day is only part of the larger picture of health. To ensure the effectiveness of this practice, couple it with regular exercise and healthy eating.

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2017 will be the best year yet!

Here are a few key dates and events to keep in mind as we get the new year started.

- Our FREE financial seminars are here and better than ever - click here for a full listing of our seminars and to RSVP to hold your spot.
- We will be closed Monday, February 20th in observance of President's Day. Visit our website for more information on our holiday closings.
- Our Annual Meeting is Monday, March 20th at 6PM at the Rogers Park Community Pavilion. Here is the official notice of the Annual Membership Meeting.

Mark your calendars and get ready for a great ride! Thanks for banking with us!

Investing vs. Paying Off Debt

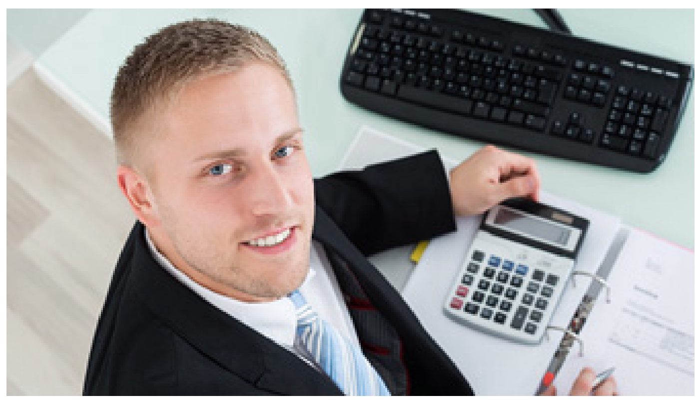
Deciding factors include your financial resources and goals

Some people will decide to pay off all their debts before ever investing money, while others will say it's better to carry livable debt and be able to grow your savings over time. There are pros and cons to either option, depending on your financial situation.

What to consider first

According to an October 2014 article in U.S. News Money by contributor Joanne Cleaver, paying off debt first means losing potential compound interest earned on any investments you would have made during that time. On the other hand, investing first means having to manage your debt and pay more in interest over time. And if you've invested your money, you likely have fewer funds to make payments toward your debt.

Cleaver says that understanding your financial situation and what you can handle is the largest determinant. She suggests you find your tipping point for affordability by looking at the interest rates of your loans and calculating how much it will cost you on a monthly basis to maintain the debt. If the numb er doesn't fall within your affordability parameters, consider paying off the debt before doing any investing.



To do this, Paul Heising, a financial adviser with California-based investment firm Smarter Decisions, recommends "[organizing] consumer debt accounts according to their interest rates so you can see which are costing you the most," and to "pay back loans with the higher interest rates first, especially if those rates are over 10 percent annually."

Advantages of doing both

Other experts recommend striking a balance of paying off your debt and investing, but only with certain, less-risky investments at first. Joshua Kennon, author of Investing for Beginners, suggested such a balance in a January 2016 article on the financial resource website TheBalance.com.

According to Kennon, you should fund any workplace retirement accounts, like a 401(k), and start an emergency fund using an FDIC-insured institution while paying down any high-interest rate loans, like student loans and credit cards. Then, he advises to circle back to investing more money into such savings vehicles as an IRA or Roth IRA, and begin building assets in mutual fund and brokerage accounts.

He listed three main points in his reasoning:

1. "You minimize your tax bill, both from earned income and on investment income, which means more money in your own pocket."
2. "You create significant bankruptcy protection for your retirement assets. Your employer-sponsored retirement plan, such as 401(k), has unlimited bankruptcy protection under the current rules, while your Roth IRA has $1,245,475 in bankruptcy protection as of 2015."
3. Reducing debt over time allows you to build up while you pay down, so that when you are debt-free you suddenly have a major stream of cash to do with what you want.

An article by CFP Nick Holeman for investment management firm Betterment suggested a similar plan to pay off debt while investing in certain funds.

Holeman advised making at least the minimum payment on your bills, on time, while taking advantage of any employer retirement savings as you pay off major debt. Then you can build your emergency fund and finally invest further for retirement and savings.

Contributing to your company 401(k), even with debt, is important, said Holeman. Especially if your employer has a match contribution, making your contribution maximum to earn the match can yield a higher return on your investment than can many other investment alternatives.

“If you have debt that’s costing you over five percent in fees, pay it off as fast as you can. Start with the highest-interest debt first,” Holeman suggested.

In the end, the decision between off all your debts first, investing all your money first or balancing a plan of both depends on your financial risk-taking and resources.

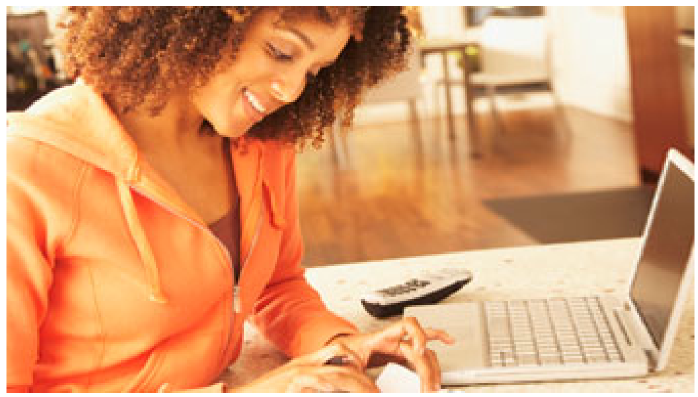
Best Ways to Budget and Save More

Budgeting can be confusing if you don't know where to start

Saving money and learning how to appropriately budget for spending are goals for most people. The best way to achieve these goals is to figure out your monthly net income and use that number to start your budget.

The 50/20/30 Rule

Financial experts generally suggest using your net monthly take-home pay as a base number to plan how you should allocate your spending. One of the simplest rules to follow is the 50/20/30 breakdown.



According to a June 2014 article on LearnVest.com by contributor Laura Shin, the 50/20/30 rule is applicable for all ages and incomes, and will help you budget your money according to your lifestyle and goals. It breaks down your budgeting into three main categories: fixed costs, financial goals and flexible spending.

1. **Fixed costs -** "When it comes to fixed costs, we generally suggest that you aim to keep your monthly total no more than 50 percent of your take-home pay," says Shin. These are bills and payments that stay the same or close to the same month over month, like rent or mortgage, utilities, and even a gym membership or monthly subscription services.
2. **Financial goals -** "Consider putting at least 20 percent of your take-home pay toward important payments or contributions that will help you secure your financial foundation," Shin says. This might include paying down debt, building an emergency fund or saving up to purchase a home.
3. **Flexible spending -** "Consider budgeting no more than 30 percent of your take-home pay toward flexible spending. These are day-to-day expenses that can vary from month to month, like eating out, groceries, shopping, hobbies, entertainment, or gas," Shin says.

"Whether you're a parent with two kids or a recent college grad working your first job, this 50/20/30 guideline can help you not only figure out how much you may want to allocate to each area every month; it can also help you determine the order in which your money can be allocated," advises Shin.

Use this rule as a guide for where to allocate your money, and you'll be on the way to reaching your financial goals.

Simple Tips for Investments and College Plans

Once you've decided on your goals and figured out your budget, there are a few simple things you can do to boost your investment and college savings.

To start, always pay yourself first. This means putting money from your paycheck into savings, even before you start paying bills.

"Many employers allow you to divide your paycheck into different accounts through direct deposit. Take advantage by putting part of your pay into a savings account. If you get paid in cash, take a small amount to the bank to deposit into a savings account each week," suggests a February 2012 article on MoneyManagement.org.

If you choose to invest some of your money to build savings, consider the fees associated with the accounts you choose.

“When you put money toward your nest egg or other big savings goals, you don’t want it leaked away to high fees. Opt for index funds, ETFs and other low-cost investments,” Shin advises in an August 2016 article in Forbes.

Shin also suggests that you look to low-cost money managers if you want to work with an investment advisor: “The days of having to pay someone one percent of assets under management are giving way. [Some] new services … offer investment management services for as little as 0.15 percent.”

If you’re budgeting for educational needs, either for yourself or for your (future) children, consider a 529 savings account.

“The accounts, which are sponsored by states, allow parents to invest after-tax money that then grows tax-free and remains tax-free if you use it to pay for tuition,” says a February 2011 article in U.S. News by senior editor Kimberly Palmer, author of “The Economy of You”.

Additionally, students can look to refinance their loans once they’ve graduated to help save on repayment costs.

“In the last few years, a new crop of online lenders has begun offering lower rates for student loans. … Most of these lenders offer rock-bottom rates for people who come from top schools, had good grades, have solid incomes and a strong financial history,” says Shin.

If you need help getting your budget plan started, contact us and we’ll be happy to help.

Strategies for Growing Your Business

Financing business growth for future success

The feeling of accomplishment that one gets from the success of their own business is typically followed by the realization that success may necessitate pursuing larger goals and focusing on growth. This realization should lead to the formation of strategy with regards to acquiring the capital necessary to actualize those plans.

Entrepreneur.com contributor George Deeb stated that creating growth hinges on investing in your business, but that the resultant expenses of those investments can complicate your bottom line.

Some small-business owners who are faced with these complications end up feeling reluctant to incur any further business debt. This is particularly evident in family-run businesses, according to Deeb, where personal and business expenses are more closely associated with one another and, sometimes, intermingled.

If this is the case with your business, a small-business loan may be the best solution. The funds will be set aside specifically for the business, preventing you from being tempted to skimp on the necessary expenses required to grow and simultaneously allowing your family budget to stay separate.

Business owners who are reluctant to take out a new business loan may try to cut their operating costs to come up with the funds themselves. Making the cuts necessary to finance significant growth is a time-consuming task, and if you are the founder of your company, your time is an incredibly valuable resource that would be better spent focused on other areas of need. When budget-cutting doesn't result in enough savings, another common trend is for business owners to decide to cut back on the goals they have for growth.

But according to Deeb, long-term goals should remain intact irrespective of debt. Debt, she noted, is not necessarily a negative thing for a growing business, particularly if your plan for growth provides realistic avenues through which you can recover that debt.

Fortunately, your financial institution isn't likely to approve your loan if you are unlikely to pay it back. Furthermore, a small-business loan allows you to retain your current level of ownership in your business, which is a valuable thing for owners with long-term plans.

Before talking to your financial institution about bankrolling your growth, you need to flesh out your strategy. According to the U.S. Small Business Administration (SBA), expansion is typically the first approach to growth.

Acquiring another company is a comparably popular strategy, and it allows you to avoid the time-consuming process of setting up in a new location by relying instead on existing employees and infrastructure. You can also maintain a pre-existing customer base instead of having to market your business in the new area from scratch, which better assures success right out of the gate.

If expanding into a new physical location or gaining a new location by purchasing another company isn't preferable, there are a variety of other options. The SBA suggests, among other ideas, franchising as a means to create growth without the stress of self-starting a new location.

For more growth strategies and information about projecting your growth costs, visit https://sba.gov/managing-business/growing-your-business, and make sure to take advantage of the experts at your local financial institution, who are well-versed in the growth strategies that are tried and true in your community.

Plan Now For Income During Your Retirement

A Message from the Education First Financial Group

There's a big difference between not working and not worrying. Yet for millions of Americans, the worrying begins after the working ends. There's inflation … fluctuating investment returns … more taxes … and skyrocketing costs for medicine and health care. You owe it to your family and yourself to retire stress-free, without concern … and that requires a retirement income plan.

Sal Guerrero, the Education First Financial Group Representative serving Education First Federal Credit Union, uses state-of-the art technology to build a plan for your retirement journey that allows you to live without worrying whether you'll outlive your savings.

Sal will work with you to build your retirement plan logically and effectively. Together you'll identify your needs …consider the risks you face … select investment options … put your plan into action … then measure your success.

Every step is designed to give you confidence and peace of mind during retirement. But your first step is to contact Sal today. To arrange a no-cost, no-obligation meeting, simply call 409-896-8552.

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Questions You Should Ask the Dealer When Car Shopping

Five answers to know before you sign on the dotted line

No matter whether you are shopping for a new or used vehicle, there are certain questions you will always want to know the answers to. The answers the dealer provides will tell you whether you are getting the most car for your money.

What are the additional fees?

Legitimate costs include sales tax, registry costs and a documentation fee. However, the amount dealers charge for filling out the contract (the doc fee) is not universal. According to the trusted automotive resource Edmunds.com, some states regulate these fees and cap them below $100, so before you seal any deals, check the paperwork and negotiate down an outrageous doc fee. Another questionable fee you may encounter, in an effort for the dealer to build a potential profit back into the deal, is a "vehicle preparation fee." This means, for example, they are charging you for making sure there is oil in the vehicle and for performing other menial tasks that one would expect to be done inevitably before a car is rolled off the lot.

Are there any aftermarket parts on the vehicle?

Inclusion of "add-ons"—from things as simple as tinted windows to things as complicated as car alarms—is another way dealers attempt to boost profits by raising prices.

"Mud flaps, rust-proofing and paint sealants make the dealer a lot of money, but you can get them for less—often much less—elsewhere," writes David Muhlbaum, online editor of Kiplinger.com

Before saying yes to a vehicle purchase, you will want to double-check with the dealer and in the contract, and negotiate accordingly.

What special promotions are you running right now?

Manufacturers are always running sales events, and sometimes dealerships even tack on their own discounts and deals. Investigate up front what promos are going on so you can take a closer look at the vehicles with the best incentives.

"If you're diligent—and a little bit lucky—you can use one of these events to knock a few thousand dollars off of your total cost or secure 0 percent APR financing for the first year or so of your loan," says Business Insider personal finance writer Ben DeMeter in an article on Investopedia.

What is the lowest price you can give me?

Instead of telling the auto dealer the highest price you can afford to pay each month, take the reins by figuring out the lowest possible price you would pay on the vehicle in question. While it is smart to go into negotiations with financing options already lined up, the dealer may be able to offer you lower financing, so don't show your cards too soon.

Can I see an accident history report and title history?

Most dealers these days automatically provide a CARFAX report for all vehicles, as well as an AutoCheck report to be thorough. These documents also report title history, which will disclose any previous problems with the vehicle such as odometer issues, a rebuilt engine or whether it was ever reported stolen. If you choose to proceed without checking one or both of these reports, or something like them, you are putting yourself at risk for a large devaluation of the vehicle.

Once you ask these questions and are satisfied with the responses provided, you can feel comfortable signing on the dotted line as an informed consumer.