



Volume Issue • November 2018

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## We're ready for November!

The holidays are here and there are lots of exciting things going on at Education First! Here are some important reminders for our members:

- We will be CLOSED on the following holidays during November:
  - Monday, November 12 - Veterans Day
  - Thursday, November 22 - Thanksgiving Day
  - Friday, November 23, 2018 - Day After Thanksgiving
- Photos and Fun with Santa is on Saturday, December 1, 2018! Click here to fill out a reservation request form. \*This does not guarantee a reservation\*.
- Skip-a-Pay is back! Skip your December or January loan payment. Click here for more info.

We hope each of you have a great month and a Happy Thanksgiving!

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## Financial Tips for Young Entrepreneurs

### Start your new career off on the right foot

No matter how old you are, the entrepreneurship bug can bite you and give you the itch to start a business. If you have been working for some time, you probably have some experience in the industry you're launching into and have spent time in the business world. However, if you're younger, there is more for you to learn. Here are some financial tips that will help you start off on the right foot.

#### Keep it separate

Almost every resource about business finance declares loudly and often that you need to keep business and personal funds separate. It's easy to think that you'll make sure to track things and know what money belongs to whom, but when everything mixes together it can be tempting to dip into business funds for personal use.

Besides that possibility, Dmitriy Fomichenko of NerdWallet points out that if the IRS comes calling for an audit, you'll need proof of business expenses and income.

That is much easier when the money isn't in the same place. If your business is a corporation, you're actually required by law to maintain a separate account for your business.



#### File your taxes

Speaking of the IRS, it's imperative that you remember to pay your taxes. This might seem like an obvious tip, but your taxes get more complicated when you own a company. Project Eve points out that you might be so wrapped up in day-to-day operations that you forget about taxes, or you might not have the right information to file correctly and meet quarterly deadlines. If you don't have an accountant for your business already, it's important that you seek the advice of a tax professional now to avoid penalties (or jail time) later.

#### Start a retirement plan

When you first start your business, more money will be going out than in. But when funds do start to come back and you have enough to cut yourself a paycheck, Yoav Vilner of Entrepreneur says it's important to also start a retirement fund. If another company employed you, retirement plans would probably be part of your intake paperwork and someone else would take care of it. When you're working on your own, that task falls to you. No matter how much you think you'll love your business, you will thank yourself in the future for saving now so you can ride off into the sunset later.

#### Get ready for emergencies

You probably insured your business when you opened up, but don't forget about yourself. NerdWallet points out that, as an entrepreneur, any serious illness or injury can put that source of income in jeopardy. Make sure that you purchase disability insurance to cover you in case the worst should happen. While you're at it, consider buying business overhead expense insurance. If you have to take an extensive leave of absence and that temporarily closes your business, this policy will cover certain business costs like rent, employee salaries or taxes until you're back on your feet.

If you're young, driven and ready to start a business, we wish you the best of luck. Just make sure to look both ways before you make a major decision, and consider consulting a financial adviser.

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## Certificate of Deposit 101

Most investors are primarily concerned about two things: return on their investment and risk. Certificates of deposit (CDs) address both of these investor concerns by yielding moderate returns with minimal risk. CDs provide supplemental income while also balancing out other, high-risk portfolio investments.

### CD Basics

A CD is a form of savings account and is classified as a time deposit. CDs earn more interest than an ordinary savings account, often by several percentage points. In exchange for a guaranteed rate of interest, an investor in a CD agrees to leave the deposit in the CD for a specified period of time (until "maturity"). As part of the terms of the CD, a penalty – often lost interest – may be incurred if money is withdrawn early.

### Advantages of CDs

CDs are offered by banks and are easy to open. It's a simple process that can be done by completing a quick form or, in some cases, over the phone. Certificates of deposit also provide peace of mind. Insured by the National Credit Union Administration (NCUA) up to \$250,000, CDs are considered to be one of the safest investments. With maturity dates ranging from three months to five years or longer, CDs are typically short- to mid-term investments. Some CDs offer a low minimum deposit, sometimes as low as \$500. The minimal deposit requirements and varied maturity dates make CDs flexible investment options. CDs are great investment vehicles for saving for large purchases, such as a new car or a down payment on a home.



Interest rates on CDs are determined based on a number of factors.

Typically, the larger the CD, the higher the interest rate. A jumbo CD, which can have a minimum denomination of \$100,000 or more, sports the highest rates. Alternatively, CDs with longer maturities, in the two- to five-year range, also provide higher returns. The CD market is highly competitive, allowing for equally competitive interest rate returns.

Savvy investors use the laddering strategy when purchasing their CDs, in order to maintain liquidity or access to a portion of their money. Instead of placing all their funds into one large CD, investors who utilize the CD ladder technique distribute their funds into multiple CDs with staggered maturity dates.

This laddering strategy also reduces the risk of incurring a penalty due to early withdrawal. Laddering of CDs is a great method to have funds available for children's college tuition or for retirement. Some CD terms also allow the investor to reinvest earnings or roll over the CD, which offers additional flexibility.

### **CDs Compared to Other Financial Instruments**

CDs have a number of advantages in comparison to other financial vehicles. As long as the amount is within NCUA insurance limits, the risk associated with a certificate of deposit is minimal. Since CDs are not affected by stock market fluctuations, there's no worry about stock market volatility or losing principal. You also don't have to conduct a lot of research to select a good CD, unlike stock and bond portfolios. For these reasons, many people prefer to purchase CDs rather than "play" the stock market game. Beyond the risk consideration, CDs offer a considerably higher interest rate than checking accounts and savings accounts.

If the idea of earning a guaranteed return with minimal risk sounds good, or if the CD laddering strategy sounds intriguing to you, contact us today to discuss the CD options available to you.

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## Small Business Saturday is November 24, 2018!

We believe that supporting your local community is a positive thing—it builds relationships, it strengthens the local economy, and it makes your neighborhood a happier and healthier place to work and play. Watch this Financial Education video to see why you should support local businesses!

Small Business Saturday is Saturday, November 24! Click [here](#) to download a list on daily ways that you can support your local businesses.

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## Shop Your Way to Happy Holidays With uChoose Rewards!

Shop your ways to Happy Holidays with uChoose Rewards!

During the month of November, enjoy great rewards like these:

- 6 points per \$1 spent at Buy Buy Baby
- 6 points per \$1 spent at Bed Bath & Beyond

It's easy to get started. Click [here](#) to learn more about how you can start uChoose Rewards through Education First Federal Credit Union!

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