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Making a Plan to Reduce Debt

How to pay it down most efficiently

Having a lot of bills and debt is discouraging, but it doesn't have to consume your life. There are ways to methodically pay down your debt based on your financial and personal goals and objectives. You will see that, despite how it may seem, there is actually an end in sight.

First of all, it helps to pull your credit report from a site like Credit Karma or AnnualCreditReport.com. Create a spreadsheet with your various debt balances, rates, minimum payments and number of payments left, advises Denise Winston, a financial educator and founder of MoneyStartHere.com.

At that point, decide what overall fixed amount fits in your budget to pay down your debt monthly. Ideally you will have enough to pay more than the minimum balance on your combined total. That said, pick a few debts you would like to focus on and use whatever extra is in that budget to go toward those balances.



There are a few different schools of thought regarding on which debts to focus:

Pay down smaller debts first

If you are into immediate gratification, this is the plan for you — you can clear up a lot of room in your monthly budget by eliminating the smaller bills first. The downside here is that you could lose the important tax benefits of having big loans paid down, and you could end up paying a lot more interest in the end.

Pay down the loan with the highest interest rate first

The philosophy behind this theory is that it will save you the most money in the long run. The problem with this strategy is that, while you may have more control over your finances, you won't feel like you do. Doing it this way will take a while for anything to be paid in full, making it difficult to stay focused on your financial goal.

Take a balanced approach

You could opt to combine the two methods. For example, knock out a few of your small loans in a few months and then work on higher-interest debt before going back to paying off small loans again. Another way to balance out your methodology is to pay smaller loans off more quickly if interest rates are generally within a percentage point or two, because that will give you more power to pay off the larger loans later.

Regardless of the plan you choose to follow, make a vow to stick with it.

“As the terms of your loans change or your current situation changes, you can make adjustments to the order of your debt payment plan,” says money management expert Miriam Caldwell of Money in Your 20s. “But you do need to keep paying extra each month.”

Try creating a chart where you can visually track your progress, or celebrate milestones along the way of your debt-repayment journey to keep you motivated and focused on the endgame.

“You will be amazed at how good you feel by simply knowing how much debt you really have and putting a plan in place to get rid of it,” Winston concludes.

Making smart financial decision when you're young can pay huge dividends when you get older. Speak with us today to get on the right track.

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Short-Term Auto Loans: How Much Can You Save?

Save money by sticking with a short-term auto loan

Shopping for a new car involves many important choices. Once you've decided on the exact vehicle that's best, which is certainly no small feat, the big decisions aren't over. One of the most important decisions is still to come: how to finance it. Whether you seek a loan from the dealership itself or from your financial institution, you have to decide whether a long-term or a short-term loan makes more sense for your current and future finances.

In recent years, the typical term for car loans has been getting longer and longer. The allure of long-term car loans is easy to see. It's a result of the fact that it is easy to score lower monthly payments when you stretch the loan repayment process over a lengthy term. This makes people feel like they are getting a great deal on a new or used car.



“The problem with long-term loans is that they come with increased interest, which in other words is the extra money you have to pay the [financial institution] for giving you the loan,” says AutoTrader.com. “So while a lower monthly payment might seem like it's benefiting you, it's usually a worse decision.”

Despite this downside, the seduction of lower monthly payments is hard to ignore, and the recent trend of picking long terms for repayment doesn't seem to be going away anytime soon. If anything, lower monthly payments seem to be gaining popularity.

“In the first quarter of 2015, the average term for a new-vehicle loan was 67 months— more than five years,” states John Rosevear, contributor on DailyFinance.com. “The average term for a used-car loan was almost as long, 62 months. Until recently, such long-term loans for cars were very rare.”

Digging below the surface reveals that the popularity of long-term loans isn't just an attempt to save money. People who choose these loans aren't always just trying to minimize monthly payments. They are also seeking to maximize how much car they can get for the payment that they are comfortable with.

“Here's what's driving the trend: People are buying more expensive cars,” states Rosevear.

Cars can't truly be considered an investment, because owners rarely make money when they sell their used car. So, trying to get the most expensive car possible isn't a sound financial decision unless you can afford it comfortably with enough money left over for the other expenses in your life.

"If you really care about building financial security, you would never take out a car loan greater than 36 months," states financial guru Suze Orman on CNBC.com "Will that mean buying a less expensive model? Of course. That's the point! You should want to spend the least amount possible—and get out of debt fastest—on a purchase that is bound to lose your money."

While Orman's advice to stick to the shortest term possible certainly helps you save money on interest, there are a few cases in which paying more over a long-term loan could be worth considering. First of all, it is necessary to have credit that is good enough to score a very low interest rate. Furthermore, the car you are buying has to be one that you want to drive for a long time, because you will be paying it off for many years to come.

"So if a longer-term loan helps you buy a car you're willing to keep for a longer time, it might actually make good sense in the long run," states Rosevear.

So, make sure to calculate the total price, not just the monthly payments, when you are shopping for a new car and a loan, and that will help you make the best decision. Also, be sure that the car you buy is a car that will serve you well for many years to come.

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Donating to Charities

The philosophy of credit unions has always been "People Helping People," so with that in mind the Metro West Chapters of Credit Unions is a group of 36 local credit unions that conducts several fund raisers throughout the year to support many local charities in the Metro Detroit area. Below is a list of the organizations Metro West has had the honor to support this year:

- Vista Maria
- Twelfth Street Food Pantry
- River Glory (of Life) International Ministrie
- The Moon Ministry
- Redford Women's Outreach – St. Robert Bellarmine
- Charles Drew Transition Center
- Gibraltar Food Pantry
- St. Vincent and Sarah Fisher Center
- Focus: HOPE
- Metro Detroit Share Group
- Child's Hope
- Dance Marathon at the University of Michigan
- Gospel Against AIDS

It's a Sizzling Summer at PSCU!

It's never too Late to Start Saving!

PSCU has 3 new winners for the Save to Win program. John Martino from Taylor was our big winner of \$500 and he has also won \$50 a couple months ago. When we asked Mr. Martino what's his big secret on being so lucky, he responded, "Save to Win, baby!" Our additional winners are Louise Eannerman of Detroit who is \$25 happier and Rachel Burton of Detroit padded her wallet with \$50 additional bills. Congratulations to all our PSCU members that are in a Win Win situation. The Save to Win program is a great way to help your bank account grow while getting a chance to earn extra cash.



John Martino with Linda Wallace, VP Operations & Dean Trudeau, CEO of PSCU

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It's a Sizzling Summer at PSCU!

MCULLAF Grand Raffle is Back!

7 WILL WIN - IT COULD BE YOU!

\$20,000 Grand Prize. Choice of cash or \$20,000 towards purchase of a 2015 Buick Verano or GMC Sierra 1500. Click here for more details.

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It's a Sizzling Summer at PSCU!

Hidden Costs of College

Don't forget about these expensive hidden costs of college

Whether it's your child or your grandchild that is off to college, it's no surprise that college costs have increased dramatically and will continue to do so over the years. At least you know how much to set aside to cover it all — the cost of tuition, room and board, and books, right?

While those are the main entities for a new college student, there are actually a variety of hidden costs that some families tend to overlook.

"Parents are overwhelmed by the true [price] of education, which they often have not thought about fully," says Maura Griffin, CFP and CEO of Blue Spark Capital Advisors. "In many cases, they don't [even] know how much college will cost until they get the financial aid letter."

To help avoid any unwelcome fees (and a major headache), take note of these common hidden costs of attending college:

Laundry - While it might seem like a nominal fee, if laundry costs \$3 per load and you do two loads a week, you're spending more than \$200 a year just on cleaning your clothes—and that doesn't include detergent, dryer sheets and an iron. Speaking of laundry, your student may need to buy new clothes during the year as well. From special occasions such as semi-formals and internship interviews to more casual purchases such as school t-shirts, clothes can become quite a fluctuating hit to any budget.

Greek life - While not a mandatory activity for college students, many choose to join a fraternity or



sorority, and Greek life is one of the most expensive clubs to join. For example, at Dartmouth College in Hanover, New Hampshire, new sorority members owed between \$335 to \$647 just

for their new-member fees, and new fraternity members at the small private school Washington and Lee University in Lexington, Virginia, owed an average of \$2,000. And that doesn't even come close to the amount owed throughout the four years, especially if you live in a chapter house. In fact, those who did reside in houses paid an average of \$5,187 per semester. Before joining Greek life, be sure to determine what it will cost and if it's affordable.

Parking - If you or your child is bringing a car to campus, parking fees will typically ensue — and they're not always cheap. On average at most major universities, students are looking at an extra \$250 or more per semester just to park a car on campus.

Storage - After each year, it's convenient to tuck away all of your student's belongings into a nearby storage facility so you don't have to haul it all back home. To cut costs, book your storage facility early before summertime hits. And try to share with a friend so that you can split the costs (plus, there's usually plenty of room for more than one person's belongings). In addition, there may be student discounts available, so be sure to inquire.

Travel - If you or your child is attending college a plane ride or even a long car ride away, traveling back and forth can add up quickly — from airplane tickets to the cost of filling up the gas tank (and don't forget about tolls). If you're traveling home and back to school for every holiday and break and for summer vacation, or if your family visits you, this can be costly on both ends. Make sure to discuss what a realistic number of times to visit per year is, and take advantage of video messaging services such as Skype to help reduce some of these travel costs.

College should be one of the most exciting times in a student's life, but don't let it cripple your finances. Planning ahead can help ensure you have the money you need.



How Banking on the Internet Can Help Teach Financial Skills

Online banking benefits that improve your money management abilities

These days, the conveniences of the Internet are well-known to nearly everyone. However, when it comes to online banking, the benefits are a lot greater than mere convenience. The various aspects involved in banking online can also help teach an array of financial skills.

Helps monitor account

balances - From the convenient access of banking websites to the instant access of mobile apps, teaching monetary awareness has never been so simple. A consumer can use any of those methods to ensure that he or she has plenty of money in his or her account before making any purchases.



Helps organize bill

payments - Rather than having to worry about sending out checks to the cable company on time, or running uptown to pay the water bill, you can make both of those payments from your online banking account. You also don't need to recall

all the credit card websites you'd have to visit or what your username and password are for your energy provider account —everything is in one convenient spot in the online bill pay section. Don't get overwhelmed by the paper bills covering the kitchen table ever again.

Keeps your mind on your credit score - Although online banking won't be able to hand you your credit score whenever you want it, it will be able to keep you vigilant about paying those bills on time and maintaining a balance in your account. This will help keep your credit score on the higher side, which is great for when you want to make a large purchase in the future.

Offers special deals - Oftentimes, financial institutions offer special rates or deals to consumers using online banking. This provides an incentive be on the lookout for great rates and never settle.

Details savings growth - With online banking, you get immediate proof of where your money is going. This is especially helpful with online statements for savings accounts, IRAs, CDs and similar products, as you can physically see how your money is growing and therefore better understand the process. Also, many financial institutions provide data and statistical breakdowns on their online statements, showing exactly how your account is growing.

Reminds you of the importance of security - Contrary to what some skeptics believe, online banking is actually very secure. There is usually a two-part sign-in process, in addition to your mobile device's password, not to mention the many mobile text or email alerts you can sign up to receive if any suspicious activity is detected.

Many of the above skills cannot be taught in any financial literacy course. Some things just need to be learned by doing, and online banking is a great, safe way for someone to become a bit more financially educated.

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