Newsletter

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In This Issue:

It's A Really Big Dill.....

For a limited time, you can receive up to $500 cashback on any new loan over $5000!* This is a DILL you don't want to miss!

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*APR=Annual Percentage Rate. All loans must meet lending guidelines to qualify. All loans subject to credit and/or collateral approval. Not every member will qualify. This offer is only valid for loans applied for and disbursed from May 1, 2022, to May 31, 2022. **The 1.00% cash back applies only to loans >$5000.00 that are financed as new money with Public Service Credit Union or refinanced with Public Service Credit Union from another lender. Commercial loans, real estate/mortgage loans and loans originated at Dealerships are excluded. Cash back amount is capped at $500.00 per loan and is subject to all applicable taxes, which are the responsibility of the member. 1.00% cash back will be deposited to the member's savings account within 90 days from loan disbursement. Member must be in good standing with the credit union to receive incentive. Offer is valid from May 1, 2022, through May 31, 2022, and subject to change without notice.

Should You Pay Off Debt or Invest That Money?

Where should you invest your money?

Is it better to invest your money or use it to pay off debt? The answer to that question depends on many factors like your investing options, the amount you owe, interest rates, and even your age. But as a rule of thumb, you should try to do both. Before you do, the following are a few things to consider.

Compare interest rates

You can typically expect to earn more money by investing than you would lose by not paying off debt. For example, investing into a stock market index fund that returns 10 percent a year will put you further ahead than using the same amount of money toward paying off student loan debt with a five percent interest rate. If your debt is wrapped up in credit cards, however, it's almost certainly more advantageous to pay that off first, as according to Investopedia's credit card database, the average interest rate on credit cards is almost 20 percent. "Interest rates on credit cards are so high that you can never get ahead," says Linda Davis Taylor, former CEO of an investment company based in Pasadena, California. "Put yourself on a plan to eliminate your credit card debt, and be as disciplined as possible."

Consider your credit score

If you have a low credit score, paying off debt can give it a significant bump. One of the most important factors that goes into determining your credit score is your credit utilization ratio, or the amount of credit you are using relative to the amount that is available to you. If your current debt is very close to the total amount of debt you're able to have — that is, your credit cards are maxed out — then this can have a major negative impact on your credit score. In an article for Investopedia, financial news expert Brian Beers says that "paying off debt, particularly if you have a lot of it, can be a smart move for that reason alone."

Factor your age

Writing for TheBalance, personal finance expert Lora Shinn says that, "In general, you should avoid carrying debt into retirement." If you are nearing retirement age, you'll typically benefit more from paying off debt than from investing. However, thanks to compound interest, it's almost always better to invest in retirement as much as possible, especially if you are still a long way from retirement age. If your employer offers a 401(k) plan with matching contributions and you do not yet meet that match, this would be a good place to invest your money.

Try to invest and pay off debt at the same time

Investing — whether short- or long-term — and paying off debt are not mutually exclusive. "You can, and sometimes should, do both," Beers advises. If you neglect investing, you risk falling short of retirement goals. If you neglect paying off debt, you will probably end up spending too much in interest over time. Additionally, you should try to put aside money for an emergency fund if you don't already have one. "A good place to keep your emergency fund is a low-risk and highly liquid investment, such as a money market mutual fund," Beers says.

Managing finances is no easy thing, and it can be tricky to make the most out of your regular income or an influx of cash. Consult with a certified financial planner at your financial institution for expert advice that works for your own, unique circumstances.

- NOT A DEPOSIT
- NOT FDIC INSURED
- NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY
- NOT GUARANTEED BY THE BANK
- MAY GO DOWN IN VALUE

A Beginner's Guide to Making a Will

Simple steps for easy estate planning

A will is a document that declares how your estate should be managed and distributed in the event of your death. Without having a will to guide them, your family members will have to spend time and energy divvying up your assets — often leading to additional stress and conflict during an already stressful time of mourning and grief. Here's how you can get started with making your will.

Where do you get a will?

Many online services claim to be able to help you create a will in just a few minutes. However, everyone's estate and family situation is unique. In order to account for all situations and create a comprehensive will that's difficult to contest, consider having your will created by an estate-planning lawyer. Elder law attorney Patrick M. Simasko explains that an attorney will be able to account for the complexity of laws in your state, and they will make sure all forms have been properly signed and filled out. Furthermore, a lawyer's office is equipped to take care of other processes that turn your will into a legally binding document, such as notarization. You may also need to budget for your will, as it will likely cost over $1,000, depending on the rates that your attorney charges.

Choosing your beneficiaries

Beneficiaries are the people who will receive parts of your estate upon your death. There are several important factors to consider. The Balance contributor Julie Garber explains that if you plan on passing cash or property down to your minor children, you must appoint a conservator to manage the inheritance since children are not legally allowed to own these assets. You should also consider what to do if one of your named beneficiaries precedes you in death. For instance, if you intend on passing your vehicle down to your nephew, consider who the car will go to if your nephew predeceases you. It's a good idea to have a contingency plan written into the will for all assets, since this will keep confusion and stress to a minimum.

Picking an executor

The executor is the person who will carry out the instructions described in your will. While most people name a spouse or child to be their executor, the executor of your will doesn't have to be a friend or family member. Brian J. Decker, owner and founder of Decker Retirement Planning, explains that you can also have a CPA or attorney fulfill the role. However, he cautions against naming a corporate trustee to carry out your wishes, as they often charge fees that skim money from your hard-earned estate, leaving less for your beneficiaries to inherit.

Keep your kids in mind

If you have children who are still minors, it's important to appoint a guardian for them in your will. Consider different scenarios when appointing a guardian. For example, you may take for granted that your spouse will care for the children if something happens to you. However, you need a plan in place if your spouse predeceases you, or if you both die in the same incident. If you have appointed a relative as your children's legal guardian, consider having a backup plan, just in case that relative precedes you in death. This is particularly important, because Garber warns that if there are no surviving people to serve as your children's guardian, the court will appoint someone without your approval.

Once your will has been properly signed and notarized, it's important to keep it in a safe location. For more information on making a will, consult with an estate planning attorney.

What is the Rule of 55?

How to avoid penalties for withdrawing retirement money early

It’s likely that your retirement account is one of the most valuable assets you have. But because the account is meant to be used for retirement, there are penalties for accessing its funds too soon. Fortunately, the Rule of 55 is an exception that can help you, should you retire early.

Qualified distribution rules

If you invested in a retirement account with after-tax dollars, such as a Roth IRA or Roth 401(k), then you can make qualified distributions from that account after age 59.5 without tax or any other penalties. “There is no penalty for withdrawing your money after you reach age 59.5, but you'll pay income tax on the money you take out if you've invested in a traditional pre-tax 401(k) or a traditional IRA with untaxed dollars,” explains retirement planning expert Melissa Phipps in a Jan. 2022 article for TheBalance.

If you do make early withdrawals — that is, withdrawals before age 59.5 — then in most cases, those withdrawals will be taxed as ordinary income and be subjected to an additional 10 percent penalty. This is not something you want to do unless absolutely necessary. The Rule of 55 exists to make those situations less painful.

Rule of 55 explained

If you leave or lose your job at age 55 or older, the Rule of 55 enables you to access your 401(k) or 403(b) funds without penalty. However, you must leave your job during or after the calendar year you turn 55, and the rule does not apply to retirement plans from previous employers. “The Rule of 55 only applies to assets in your *current* 401(k) or 403(b), meaning the one you invested in while you were at the job you leave at age 55 or older,” says Phipps. You can also withdraw the money without penalty as early as age 50 if you retired from a public safety job, such as police officer, firefighter, or EMT.

Note that the Rule of 55 only helps you avoid the 10 percent penalty for early withdrawals. It does not apply to IRAs and does not exempt you from paying federal tax on distributions. Additionally, your employer-provided retirement plan needs to actually support Rule of 55 withdrawals. Some plans have a flat ban on making distributions before age 59.5 or even 62.

Alternatives to the Rule of 55

It’s better to wait until you reach age 59.5 to withdraw funds from a retirement account, but life doesn’t always make things easy. Depending on your financial situation, you may not have a choice but to tap into your retirement account. Fortunately, the Rule of 55 is not the only way to take penalty-free distributions from a retirement plan. “There is an exception called the 72(t) option which allows withdrawals from your 401(k) or IRA at any age without any penalty,” retirement reports Karen Roberts and Brian Baker write in a Feb. 2022 article for Bankrate. You may also be exempt from the 10 percent penalty for particularly costly medical expenses, if you experienced a qualified disaster, or have a total and permanent disability.

The Rule of 55 is a useful tool in your retirement planning toolbox, but there are other tools that may serve you better. Talk to a certified retirement planner at your local financial institution about your options and, if you need to take distributions, how best to minimize early withdrawal penalties. Consult your tax advisor for more information about tax planning.

Factors That Affect Car Insurance Rates

See what can change your premium cost

Car insurance is an agreement between you and an insurance company that will ideally protect you from financial loss if you were to get into an accident, experience damage to your vehicle, and more. But certain factors could affect the price you pay for this coverage — and it mostly comes down to data and risks.

Age

As people mature, they tend to make smarter choices, including when it comes to driving. As a result, insurance companies see younger drivers as higher risks for coverage. It makes sense, though, due to the fact that young drivers have less experience behind the wheel and are more likely to get into accidents, which would cost the insurance companies more money to cover. The average age where you will likely see rates start to drop is 25, which is often the age at which car rental companies also lower rates. However, this age concern comes back into play for senior drivers. Drivers over the age of 65 are more likely to see higher rates because they are more likely to get into accidents and incur injuries during a collision.

Driving history

When you apply for car insurance, one of the factors the company will consider is your driving history. If you have a record of getting speeding tickets or other infractions that would be deemed reckless, an insurance company will see you as high-risk. Because the company sees you as a potential increased cost, your rates will likely be affected by your previous history. Some companies only look back a few years, so if you got a speeding ticket at 16 and you are now 35, that will probably not have as much of an effect on your premium — as long as you don't have any other infractions on your record. To help customers and the insurance company save money, many auto insurance companies have special programs for "safe drivers" that result in various discounts. By incentivizing safer driving habits with lower rates, insurance companies are also saving money due to covering fewer accidents.

Location

Where you live plays a big part in your auto insurance rate. Some states require certain levels of protection, which could increase your overall premium. For example, Michigan is considered a "no-fault" state and requires all drivers to have unlimited Personal Injury Protection coverage by law. PIP insurance covers things like medical bills, surgical fees, lost wages, and more. Requiring this coverage is intended to limit the likelihood of lawsuits after a collision. Outside of state requirements, car insurance companies use zip code data to predict whether you are more likely to get into a collision or experience theft simply based on where you live. Because of this, rural areas with less property crime and less congested roads typically have lower auto insurance rates than large cities.

Vehicle type

The kind of car you drive could also play into how much you pay for insurance coverage. SUVs, sedans, and minivans are often cheaper to insure than trucks and sports cars, simply due to their common usage. Someone in a sports car is more likely to drive fast, while a truck driver is likely to take the vehicle off-road or into other more hazardous conditions. Additionally, if your vehicle has certain standard safety systems included, this could help lower your rates. Many auto insurance companies see features like blind-spot detection, collision warning, adaptive cruise control, and adaptive headlights as added benefits that will lower the likelihood of a collision, meaning they won't spend as much money covering the customer.

Of course, the amount of coverage you decide on will also change how much you pay each month for auto insurance. The best way to find what works best for you is to shop around, check for discounts, and drive safely.

How to Get Out of a Car Loan After Your Divorce

How to settle a car loan when your marriage breaks up

Ending a marriage is far from a simple affair. No matter the circumstances, initiating and finalizing a divorce is complicated. Not only do you have to deal with the emotional fallout, you have to navigate a maze of paperwork, division of assets, and financial circumstances, including debts like a car loan.

Responsibility may go beyond marriage

In your divorce, you, your spouse and your lawyers will determine who gets what and who is responsible for certain debts. Just because you figure it out between the two of you does not mean everyone else outside your world, especially a lender, will recognize the changes.

“If you name is listed on a loan — as a borrower or co-signer — you’re 100 percent responsible for the debt from the lender’s perspective,” according to Justin Pritchard, writer for TheBalance.com. “Even if you’re divorced and your former spouse agreed to handle the debt, your credit is on the line if your ex defaults, and you’re also responsible for any late fees and collections costs.”

Refinance to settle ownership

Lenders look at you and your spouse as equally responsible for a debt — no matter if you and your spouse are in the process of divorcing or have already signed the divorce papers — so you have to take steps to reclaim your finances. If not, you’ll have bills you no longer planned for and risk damaging your credit score.

“The best course of action is to have any joint loans refinanced by the person who will be responsible for the debt going forward,” advises Karon Warren, writer for Investopedia.com. “This will remove the other party from the loan. So if you plan to keep paying for your own car, for example, you should refinance the existing car loan in your name only.”

If refinancing isn’t an option for you or your spouse, you could agree to sell your car and split the profit with authorization and advice from your attorneys, notes Pritchard.

Budget changes and protecting your credit score

Going from shared debt to individual debt can be a shock to your budget. If you’re taking charge of the car loan on your own, you’ll need to readjust your finances in order to satisfy the full payment. If you’re relinquishing the car loan to your ex-spouse, you may have to figure out how you’ll pay for a new car. The most important thing to remember when taking on payments, though, is to make sure you submit payment by or on the due date.

“Even if you are eventually able to make your payments on time, any lapse in on-time payments means your credit score will take additional time to recover,” warns Warren.

Establish your own accounts

Now that you and your spouse are going your separate ways, it’s important you establish your own savings and checking accounts, especially if you’re responsible for car loan payments. Reset direct deposits, if applicable, to your new accounts, as well.

“While you’re at it, make sure that all automatic payments for the credit cards and bills in your name are coming out of your own checking account, so you aren’t hit by late-payment fees once you close the joint account,” according to NerdWallet.com.

If you shared everything when you and your spouse were married, divorcing means figuring out the right and fiscally responsible way to separate everything, including debt.

Don't Wait For Pay Day!

Beginning May 16th

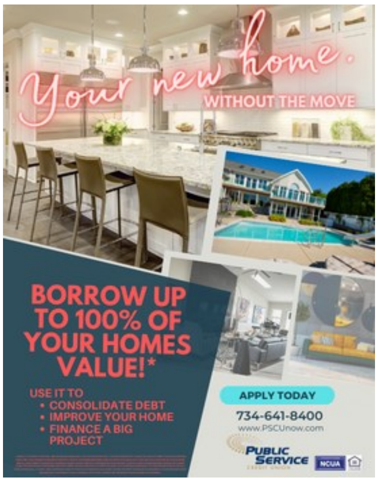
Beginning May 16th, we will be introducing our new member benefit, **Early Pay**!*

Early Pay allows members to receive their direct deposit up to 2 days in advance! No activation or hidden fees required. Look out for your next payday and tell a friend about this exciting new benefit as a member of PSCU!

*Early Pay is a free service for all Public Service Credit Union members with direct deposit. ACH payroll can be posted up to 3 business days early, but not guaranteed. The payroll sender determines when they send the payroll files, PSCU has no control on how early payroll will come in.

Don't Move, Improve!

Beginning May 16th



Looking to consolidate debt, improve your home, or finance a big project? No more procrastination!

For a limited time, you can borrow up to 100% of your home’s value!*

Apply beginning May 16th

* Subject to credit approval and program guidelines. This offer applies only to new home equity loans or lines of credit loans or existing ones. Only on a primary residence property, which the borrower owns and occupies is eligible; not available on a second/vacation home, rental/investment properties, or mobile homes. Offer limited to residences of Michigan. Your rate and corresponding APR may be higher than the posted rate, depending on your credit history and PSCU’s credit policies. Full Appraisals required to take advantage of the full 100% LTV special, LTVs 90% and lower may qualify for our automated valuation system. Property insurance is required. Flood insurance may be required. This product has a variable-rate that is based on the market rates (prime plus margin).

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