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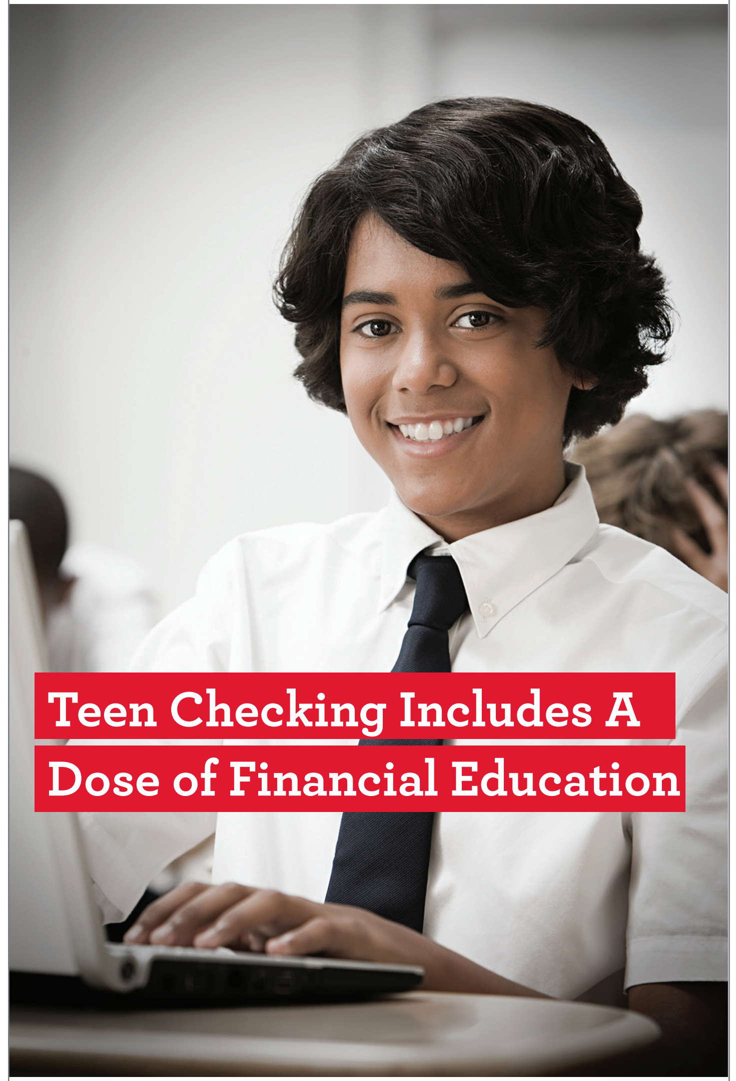

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% Financed	Variable Rate (APR[1] as low as)
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HOME EQUITY [2] Terms up to 240 months

% Financed	FIXED Rate (APR[1] as low as)
Up to 100%[3] (owner occupied)	4.99%

[1]APR = Annual Percentage Rate. Rates listed are current as of 12/16/2016 and are subject to change without notice. Rates shown are our preferred rates based on credit worthiness and a 0.50% Direct Deposit/Folio Direct Deposit discount, if applicable and a 0.25% discount when you purchase through the Farmers Insurance Car Buying Service. [2]Home Equity Loans and Lines of Credit are available in all States except Alabama, Alaska, Florida, Hawaii, Louisiana and Texas. [3]Maximum Loan-to-Value of 100%.

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Calendar

April 26 — **Annual Meeting**
April 26, 2017
12:00 PM

May 29 — **Memorial Day**
May 29, 2017
Credit Union Closed

July 4 — **Independence Day**
July 4, 2017
Credit Union Closed

MoneyMatters
Quarterly publication of
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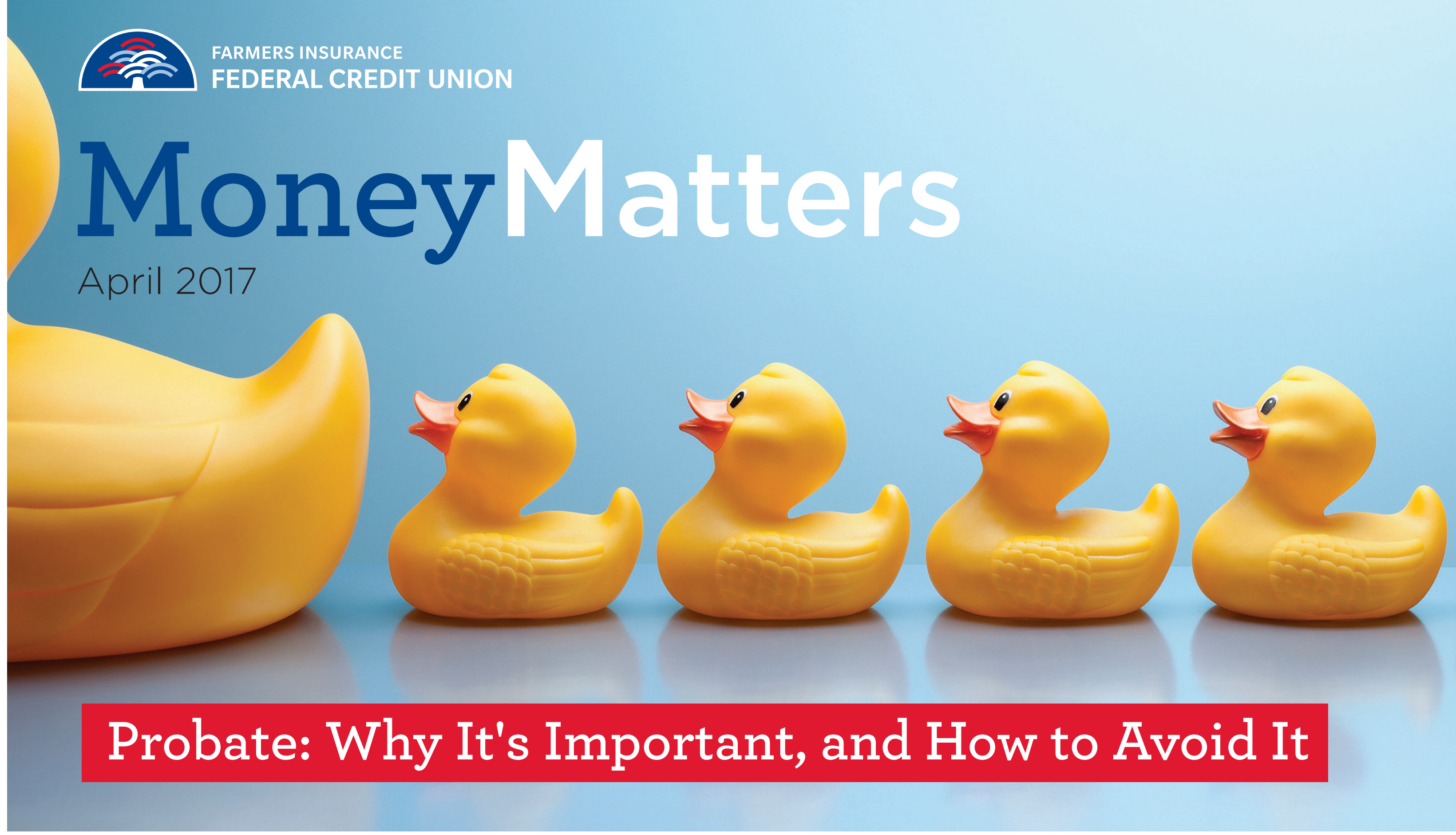

FARMERS INSURANCE
FEDERAL CREDIT UNION

MoneyMatters

April 2017

Probate: Why It's Important, and How to Avoid It

Your eyes probably glaze over when the word probate is mentioned. And, no wonder. It's a tedious and convoluted legal, court-administered process. Designed to confirm the wishes of the deceased are carried out, probate also ensures that final obligations like debts are honored.

Think of probate as the government's "default switch" if you don't take steps to bypass it—which you really should. The cost of probate can run between 2% to 5% of an estate's value. The probate process also ties up your assets for months—even years. So keep reading to find ways your estate can avoid probate.

In This Issue

Strategies to Avoid Probate

If, like many of us, you plan to use a will for your final instructions, Kiplinger's Personal Finance has some tips to keep your hard-earned assets out of probate:

- **Place property in joint ownership.** A home or other property — owned jointly with the right of survivorship — goes directly to the joint-owner when you die. And if you have sole ownership, more than a dozen states allow transfer-on-death deeds for real estate.
- **Name a beneficiary so the asset goes directly to them (and not through probate).** You can easily do this for pensions, retirement accounts and life insurance policies. Some states even allow you to name a beneficiary for your car.
- **Additionally, many states have streamlined probate for small estates.** In California, for example, subject to limitations, inheritors of estates valued up to $150,000 can skip probate.
- **Keep banking accounts out of probate by setting up payable-on-death accounts**, which give the beneficiaries immediate access to the money.

Continued on page 4

CEO's View

Are you a saver, an investor, or both? I argue that it is most prudent to be both. And of course being a saver/investor does not preclude the wisdom or need to be a borrower as well! What is the difference between (my view) being a saver and an investor? Here at your Credit Union, you principally open "Savings" accounts. Even your Certificates of Deposit are savings accounts. Why? Because your funds are essentially not at risk of loss. As an individual, you have $250,000 of federal insurance through the National Credit Union Share Insurance Fund (NCUSIF, administered by the NCUA, our federal regulator, and 100% funded by insured credit unions, not the taxpayers) on non-IRA funds, and an additional $250,000 of federal insurance on IRA funds. Furthermore, with joint owners and living trust accounts (and some other less common forms of account ownership), it is easy to extend/maximize your government deposit insurance coverage well beyond that aggregate $500,000. Our dividend rates are among the top tier in credit unions, and you should know banks' rates generally don't compare to ours.

Now, what does an investor do, as compared to a saver? Investors take and hopefully diligently manage, the risk of loss, with the anticipation that their rewards (dividends and/or value appreciation on the underlying investment such as stocks, bonds, commodities, real estate, and much more) will be a good deal higher. Your Credit Union has one of the very highest net worth to assets ratios in the entire banking industry. So, in addition to the federal insurance I cite above, you can sleep well knowing that our own financial position at the Credit Union is another primary and real reason why your funds here are safe. Period. When our federal examiners come in for the annual examination, their first order of business is to confirm that we are no threat to the NCUSIF.

While I am on this subject of saving and investing, I want to briefly touch on something I've touched on before. If you are self-employed especially, as our Farmers agent/members are, you should not necessarily seek to minimize your taxable income each year. Why? Because in doing that, you are also minimizing what you pay into the FICA system, i.e., your future Social Security benefit. You may believe that Social Security will only be a small part of your retirement income, and if that turns out to be the case, congratulations! But in the event that you were not able to save as much in tax-deferred accounts or other long-term savings or investment instruments as you would have liked, your Social Security monthly check, whatever amount it is, will become that much more vital to your standard of living. Don't always short-change your future Social Security retirement income just to minimize your income tax every year. Make sure your overall strategy for retirement income is fully thought through and entirely rational.

There is never a bad time to save, but it may not always be right, or the right time, to invest.

Mark Herter

Mark Herter
CEO

How to Help Your Teens Really Cash In On Summer Jobs

Summer is a way's off but the heat is on—at least to land that seasonal job or internship. Some good news—the market for teen jobs is improving, slightly. The Bureau of Labor Statistics tells us that teen summer unemployment dropped 1.4% between 2015 and 2016—though competition still remains fierce. But once you've landed the coveted role, what then?

For many kids a summer job is a chance to earn cash, and with it a small measure of financial independence. But in today's hyper-competitive career job market, a summer job can, and should, mean a whole lot more. Here's why. Findings by the University of British Columbia suggest summer jobs provide a financial advantage later in life. Learning how to navigate the "adult" workplace can lead to better jobs and greater pay down the road.

Former Secretary of Labor, Tom Perez would agree. In a Department of Labor blog he recalled teenage paper routes and his job at a driving range. While not prerequisites for government employment, these did teach him "soft" skills — like responsibility, leadership, teamwork, problem solving and punctuality — ones he relies on every day.

So for parents, a summer job is a win-win. Your teens earn a measure of financial independence, and are taught valuable life-skills.

There is, however, one hurdle teens have to overcome to make the most of these opportunities: their parents! Anne Brown, author of *Grad to Great: Discover the Secrets to Success in Your First Career*, notes that zealous parents, though well-meaning, can over-prep and over-manage their children for a summer job. Allowing your child to fail periodically actually helps them. Some gentle coaching and advice, however, can assist without being overly prescriptive.

Here are some useful tips:

- Encourage your child to display a positive attitude. According to a SnagAJob survey, "The most important characteristic employers look for in a summer employee is a positive attitude (40%)."
- Role play. Help your teen practice a firm handshake, how to address their boss, look people in the eye when speaking, how to disagree respectfully, and how to ask confidently but diplomatically for time off.
- Encourage your teen to take advice from other teens or young adults they know with prior work experience. Sometimes a peer gets through better than parents or other family members.
- Encourage your teen NOT to shy away from taking initiative or asking questions in the workplace for fear of failure or embarrassment. A "failure" this time around is simply an opportunity to gain knowledge and excel next time.

And now they are earning—consider opening a teen account to manage their money and develop their financial know-how. Your Credit Union has a number of youth accounts including Checking and Savings. These are free, and come with useful extras like exclusive websites/newsletters full of age-appropriate money tips, school information, quizzes and more. For further information, check out **https://figfcu.org/youth-accounts** ■

Continued from page 1

Other Tactics You Might Need

Sometimes a will alone is not enough to protect your assets. A Revocable Living Trust is a popular addition, because it can help bypass probate where a will cannot. A trust is a contract between you and a "trustee." And when you pass, all named assets bypass probate, and are passed immediately via the trustee to named beneficiaries. If you use a Revocable Living Trust, you're the trustee in life and can assign control to someone else in the event of death or disability.

Common reasons to set up a trust include;

- Keeping assets out of probate court—for example an out-of-state vacation property.
- If you own a business, a trust can avoid putting it through probate for a year or more, which can significantly add to the complexity of its management.

There are also some caveats and downsides to consider before signing on the dotted line:

- A living trust is usually more expensive than a will—a simple trust might cost $1,000 to $3,000 versus about $300 for a simple will.
- A trust requires maintenance—you must add new assets to the trust, otherwise those assets can revert to probate upon death.
- A trust cannot, typically, name a guardian for minor children. Usually a will is needed, and without one the court might assign someone you disapprove of!

Now—Build Up Your Assets!

On a less somber note, enjoy life and build up your assets to support your retirement or give a helping hand to loved ones—by saving! Your Credit Union offers exceptional earnings on a variety of products. Put your tax credits and employment bonuses to work by investing in our industry-leading certificates or high-yield savings accounts. Even transfer funds from underperforming IRAs into higher-return, Credit Union investments. ■

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