

Money Matters

Agent Edition

Paying Down Debt

Including Tax Strategies

Debt can catch us unawares—expenses mount up—and unexpected events like time off work from illness can aggravate the situation further. Here are a few tips from financial experts, including those at *Forbes Magazine*, *NerdWallet.com* and *CreditKarma.com*, that can help you trim debt and get a sound night's sleep.

1. Create a sensible budget. In order to know what you can afford to spend and save, you need a roadmap: a budget. Your Credit Union has an awesome Budgeting Tool—find it at figfcu.org/financial-wellness-center—as part of its industry-leading financial education series.
2. Pay down the costliest debt first (think highest interest rate). But if you're more motivated by getting rid of smaller debt, attack your smallest debt balances to start, for psychological motivation. Doubling a minimum credit card payment is a good initial target.
3. Put bonuses or “found money”, like a tax rebate, to work for you by using it to pay off debt and/or putting it into savings like your Credit Union's industry-leading Certificates.
4. Give yourself a pat on the back. Set milestones on your way to financial freedom and celebrate them with small treats—maybe a nice meal—so your journey feels like an adventure, not a punishment.
5. If you are 70 1/2 years of age or older, you may be able to get a tax advantage by giving some money to charity using your IRA funds. Consult a tax professional first.
6. With new tax laws and a potential next recession on the horizon, paying down some mortgage debt is worth considering as a debt-reduction strategy if you aren't in a high tax bracket, and typically take a standard deduction.



Remember that a home equity line of credit no longer automatically qualifies as a tax deduction. The IRS notes, if you want to use it to lower your tax bill, it should be used “to buy, build or substantially improve the taxpayer's [primary] home that secures the loan.”

And our best tip – never hesitate to speak with your Credit Union for impartial advice about how to make savvy choices with your money. This includes contacting us for a free, no-obligation Financial Wellness Check for easy strategies/tips to do more—save and earn more—with your money. ■



CEO's View

The New Year is a great time to reflect on what has happened to us, and to use this knowledge to make next year better. The same holds true of people and institutions—like your Credit Union—which means taking stock of what we did as an organization, and mapping out where we're going.

On this latter note, last year served us well. The Credit Union “practiced what we preached.” We strengthened our balance sheet and parlayed this strength to further our heritage of offering some of the best, everyday earning and loan rates in the country. In addition, we also continued a tradition I love: giving profits back to members as cash—in this case over \$1.5 million in “Your Credit Union Gives Back” bonuses.

Obligation and commitment, however, shouldn't be measured by a balance sheet alone, but by how we treat our members. My commitment is to run a “high performance” financial institution—and this starts and ends with member service. One special advantage we have in this respect is our status as one of the few remaining credit unions that focuses, almost exclusively, on a single employer base—Farmers employees, agents and their employees. Keeping it “in the family” creates a common purpose and bond which allows us to understand and serve the needs of members better.

A lot of this family-driven, sense of purpose is people-powered. For example in 2018 we substantially increased the size of our member-services support team and their live-support hours. Other member-service advantage accrues from our privileged window into the Farmers world—we deeply understand the business of our agents and can use this insight to offer them tailor-made services and value that drives their businesses faster and more profitably than would otherwise be possible. We also are fortunate to own our own mortgage company that can help all members achieve the home-ownership dream—and help agent-members navigate the special hurdles of home ownership for the self-employed. (Read more about this topic in one of this month's articles.)

But in today's digitized world, all this industriousness is still not enough, and a constant challenge and ambition for a financial institution like ours is to keep up with technology. Fortunately we own, and partner with, cutting-edge technology firms that allow us to compete on level terms with large banks. Here's a taste of some of our active plans.

Over the course of 2019 and beyond, we are making a big push to expand and enhance use of advanced digital technology with a major Digital Strategy initiative to help us provide easier, more satisfying mobile and online services that fit seamlessly into everyday routines. We are also embracing this technology to enhance the member experience more generally—for example introducing a digital-only annual report in 2019 for a more engaging (and environmentally-friendly) read. Also—and you won't see this directly — we're investing heavily in bots and machine intelligence (the kind that makes companies like Amazon work smarter for customers) to free up more time for our awesome staff to focus on what really counts, which is—you guessed—great member service. Such technology lets us operate with the diligence, purpose, and continued service enhancements that move you toward a better financial life each day.

I hope you share my sense of optimism for the New Year in all your endeavors, and I look forward to working for you and your loved ones by building on our tradition of unsurpassed member service and fantastic value in all that we do.

Laura D. Campbell

Laura Campbell
President & CEO



Home Loans For Entrepreneurs

Working for yourself can be rewarding. Except, maybe, when it comes to getting a home loan. Financial institutions are more cautious with the self-employed than with predictable W-2 wage earners. This means more paperwork and challenges. But some planning can smooth your path, including the following expert advice and tips.

1. If you hold 25% or more ownership interest in a company, it's profit/loss will count against your net income for home-loan qualification. Even if you've got a secondary source of W-2 income, tell your mortgage funding company about this ownership holding. Underwriters are good at finding out, so don't risk hiding it.
2. Bad credit can hurt you, even if business is good. And unfortunately, strategies that may make sense for your business, like lots of short-term borrowing with credit cards, can negatively impact your credit scores—even if you pay your balance on time. Fix credit report problems, pay down debt and consolidate high-interest credit card debt with, for example, a low-rate Credit Union credit card.
3. Patchy income is a warning sign. Ideally lenders want to see stable or improved income over time with two plus years of self-employment income in the same industry. Also note: a decline in one year of 25% or more can be a red flag. Saving for emergencies with a "rainy day" fund can give the lender more confidence that you can pay your loan even during lean times — for example by

investing in industry-leading Certificates from the Credit Union.

4. Debt-to-income is a key metric lenders consider, with a maximum of 50% often cited. With this in mind, if you have decent credit and income, the down-payment requirements should be no different for the self-employed than for other classes of borrowers. If you are concerned about getting enough money for the down-payment, see if your state has bond programs that provide down-payment assistance.

"Lenders who understand your business model can give you more latitude"

5. Keep business and personal income, assets and expenses separate. For example, it might be convenient to charge a work item to your personal credit card, but this can complicate how a lender views your liabilities.

And some more good advice. Lenders who understand your business model can give you more latitude and may even offer preferential mortgage products geared to agents like your Credit Union does. Your Credit Union has its own mortgage company and a team that will hold your hand throughout the process. Good luck! ■



Employee Spotlight



Meet Webmaster

**Arman
Grigoryan**

Your Credit Union is full of people who do their best for you, and make this place their home. Get to know one of our team members a bit better in this New Year's Spotlight article.

Five hashtags that describe you?

#wrestlemania #childofthequake #italianfoodie
#pitchperfect #loveyourself

Favorite music, sport teams and recreation?

My Armenian city, Gyumri [pron. cume-ri], was wrecked in an earthquake when I was a baby. It took 15 years to rebuild, so for fun we were always playing outdoors—literally among the ruins—using our imaginations.

I really enjoy rock music. Shout out to System of a Down (an Armenian, Grammy-winning band). I LOVE Italian food. Sports? Not into U.S. stuff yet. But I recently became a U.S. citizen so I'll have to work on this!

In your own words—what is your job?

As Webmaster, I help members access information faster and with a great experience: give them happy vibes. I also help staff work efficiently by developing web applications so they can spend more time finding creative ways to serve members better.

A secret talent and ambition?

I was a member of the Armenian national wrestling team, and have pitch-perfect hearing. In terms of ambition—I'd like to open a physical rehab center one day, specializing in treatment of serious back problems!

A piece of wisdom to live by?

To live a normal, happy life—start by loving yourself. Sounds simple but it's not always so easy. Have patience and work on you every day. This steady progress keeps you motivated and feeling alive. ■

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Loan Rates

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48 mo.	2.49%
60 mo.	2.99%
72 mo.	3.49%

¹APR=Annual Percentage Rate. Rates listed are current as of 12/1/2018 and are subject to change without notice. Rates shown are our preferred rates based on credit worthiness, loan-to-value and a 1.00% discount based on \$1,000 monthly recurring Direct Deposit/Folio Direct Deposit into a single Farmers Insurance Federal Credit Union checking account AND Automatic Repayment, if applicable an additional 0.25% discount when you purchase through the Farmers Insurance Car Buying Service. ²Home Equity loans are available in all states except Alabama, Alaska, Florida, Hawaii and Louisiana. Lines of Credit are available in all states except Alabama, Alaska, Florida, Hawaii, Texas and Louisiana. ³Maximum combined Loan-to-Value of 100%.

HOME EQUITY LINE OF CREDIT ²	
% Financed	Variable Rate (APR ¹ as low as)
Up to 100% ³ (owner occupied)	4.99%

HOME EQUITY ² Terms up to 240 months	
% Financed	FIXED Rate (APR ¹ as low as)
Up to 100% ³ (owner occupied)	5.49%

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