

Affinity Connections

W I N T E R 2 0 0 9

Fresh Perspectives

New Year's Resolutions
for Your Business



Dear Fellow Affinity Member:

The New Year is a time for resolutions and reflections. Resolutions that we will somehow do better in the future and reflections of what we could have done better in the past.

I want to take this opportunity to express a few reflections and resolutions of my own. First, I want to reflect on your loyalty and how appreciative I am for letting us be your financial advocate. Second, I want you to know that all of us at Affinity resolve to do whatever we can to deserve your continued support in 2009.

In this issue of *Connections*, we provide a number of ideas to help you improve your financial outlook, whether you're a business owner concerned about trimming expenses in 2009 or a consumer wondering how you're going to pay off the debt you accumulated during 2008.

An economy like this requires that you pay especially careful attention to such basic considerations as where to invest your cash reserves, whether you should borrow and if so, which of the many loans available in today's marketplace are most appropriate for you. We've included back-to-basics information on savings and checking accounts, loans and lines of credit that can help you make the right decisions. And we've also drawn some distinctions between life and long-term care insurance to help you determine whether you need one or both types of coverage to truly protect your family.

Thank you for your membership. I wish you the happiest of New Years and hope that 2009 will be a year of fulfillment and prosperity for you and your family.

Sincerely,



John T. Fenton
President and CEO



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What now for your investment portfolio?

Market conditions of the past several months have compelled many investors to liquidate their holdings and run for the safety of FDIC and NCUSIF-insured accounts – often after suffering substantial losses.

Interestingly, however, several studies completed before last fall concluded that investors who try to time the markets by buying and selling mutual funds at what they perceive to be opportune times, underperform investors who simply employ a buy-and-hold strategy. In fact, many investors actually underperform the investments in their portfolio because they sell their holdings when prices are low and miss the opportunity to recoup their losses when markets turn around.

It's not easy to look at your account statements each month and see losses that may be more dramatic than any you've ever experienced before. But unless you truly believe that markets will never rebound, you might do well to remember these basic tenets of sound investing:

1. Asset Allocation

According to numerous financial studies, asset allocation accounts for 93.6% of a portfolio's return, while securities selection accounts for only 4%. The right allocation for one person, however, may be totally wrong for another. Your allocation should be a reflection of your objectives, risk tolerance and other factors. To develop it, you should consult with your financial advisor or use the analytical tools available at such websites as www.mint.com or www.kiplinger.com.

2. Diversification

Diversification within asset classes is critical. The chart on the right may look like the periodic table you were forced to

study in high school chemistry class, but a closer look reveals that it lists the top performers by investment category over the period from 1995-2007. As you can see, from 1995-1998, large cap growth stocks generated the highest returns. Over the past three years, international stocks were the winner.

The point is that different investment categories fall in and out of favor in different market environments. That's why diversification among several is so important.

3. Rebalancing

Your asset allocation should remain constant since it is a reflection of your risk tolerance, objectives and time horizon. Rising or falling securities prices, however, can change your allocation without your realizing it. As a result, astute investors rebalance their portfolios periodically to

ensure they are not assuming more or less risk than they originally intended.

YOU'VE GOT TO BE IN IT TO WIN IT

Recently, *The New York Times* cited a study that looked at equity markets in 15 nations, including the U.S.¹ A portfolio belonging to an investor who missed the 10 best days over several decades across all of those markets ended up, on average, with about half the balance of someone who sat tight throughout.

In short, it may be tempting to liquidate your stock positions now and take a known loss instead of incurring potentially bigger losses down the road. But what if the market turns around, if not now, then several months from now? How will you know when to get back in? Unless you time your move impeccably, you may never recoup your losses.

Source:

¹ New York Times, October 8, 2008.

The Callan Periodic Table of Investment Returns
Annual Returns for Key Indices (1995-2007) Ranked in Order of Performance

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
S&P/Citi 500 Growth 38.13%	S&P/Citi 500 Growth 23.97%	S&P/Citi 500 Growth 36.52%	S&P/Citi 500 Growth 42.16%	Russell 2000 Growth 43.09%	Russell 2000 Value 22.83%	Russell 2000 Value 14.02%	LB Agg 10.26%	Russell 2000 Value Growth 48.54%	Russell 2000 Value 22.25%	MSCI EAFE 13.54%	MSCI EAFE 26.34%	MSCI EAFE 11.17%
S&P 500 38.13%	S&P 500 22.96%	S&P 500 33.36%	S&P 500 28.58%	S&P/Citi 500 Growth 28.25%	LB Agg 11.63%	LB Agg 8.43%	Russell 2000 Value -11.43%	Russell 2000 47.25%	MSCI EAFE 20.25%	S&P/Citi 500 Value 5.82%	Russell 2000 Value 23.48%	S&P/Citi 500 Growth 9.13%
S&P/Citi 500 Value 36.99%	S&P/Citi 500 Value 22.00%	Russell 2000 Value 31.78%	MSCI EAFE 20.00%	MSCI EAFE 26.96%	S&P/Citi 500 Value 6.08%	Russell 2000 2.49%	MSCI EAFE -15.94%	Russell 2000 Value 46.03%	Russell 2000 18.33%	S&P 500 4.91%	S&P/Citi 500 Value 20.81%	Russell 2000 Growth 7.05%
Russell 2000 Growth 31.04%	Russell 2000 Value 21.37%	S&P/Citi 500 Value 29.98%	S&P/Citi 500 Value 14.69%	Russell 2000 21.26%	Russell 2000 -3.02%	Russell 2000 Growth -9.23%	Russell 2000 -20.48%	MSCI EAFE 38.59%	S&P/Citi 500 Value 15.71%	Russell 2000 Value 4.71%	Russell 2000 18.37%	LB Agg 6.97%
Russell 2000 28.44%	Russell 2000 16.53%	Russell 2000 22.36%	LB Agg 8.70%	S&P 500 21.04%	S&P 500 -9.11%	S&P/Citi 500 Value -11.71%	S&P/Citi 500 Value -20.85%	S&P/Citi 500 Value 31.79%	Russell 2000 14.31%	Russell 2000 4.55%	S&P 500 15.79%	S&P 500 5.49%
Russell 2000 Value 25.75%	Russell 2000 Growth 11.32%	Russell 2000 Growth 12.93%	Russell 2000 Growth 1.23%	S&P/Citi 500 Value 12.73%	MSCI EAFE -14.17%	S&P 500 -11.89%	S&P 500 -22.10%	S&P 500 28.68%	S&P 500 10.88%	Russell 2000 Growth 4.15%	Russell 2000 Growth 13.35%	S&P/Citi 500 Value 1.99%
LB Agg 18.46%	MSCI EAFE 6.05%	LB Agg 9.64%	Russell 2000 -2.55%	LB Agg -0.82%	S&P/Citi 500 Growth -22.08%	S&P/Citi 500 Growth -12.73%	S&P/Citi 500 Growth -23.59%	S&P/Citi 500 Growth 25.66%	S&P/Citi 500 Growth 6.13%	S&P/Citi 500 Growth 4.00%	S&P/Citi 500 Growth 11.01%	Russell 2000 -1.57%
MSCI EAFE 11.21%	LB Agg 3.64%	MSCI EAFE 1.78%	Russell 2000 Value -6.45%	Russell 2000 Value -1.49%	Russell 2000 Growth -22.43%	MSCI EAFE -21.44%	Russell 2000 Growth -30.26%	LB Agg 4.10%	LB Agg 4.34%	LB Agg 2.43%	LB Agg 4.33%	Russell 2000 Value -9.78%

Source: © 2008 Callan Associates, Inc.

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Resolve to cut the string on **yo-yo** **budgeting** this year

The new year typically begins with too many Americans wondering how they're going to pay off all the holiday debt they've accumulated. To be specific, Americans currently carry approximately \$2.6 million in consumer debt—up 24% from 2003 levels.¹ And the average amount of credit card debt per U.S. household is a whopping \$9,840—up 25% since 2000.²

This year, the situation may be even more dire. The combination of rising debt, rising prices, dimming job opportunities and declining home values has already resulted in the highest personal bankruptcy rates since the early 1990s.³ And if consumers don't make a greater effort to incur less debt and pay off the debt they've already incurred, that rate could rise even higher.

How can you get off the cycle of yo-yo budgeting—paying off debt only to incur it again—or avoid getting in the cycle in the first place?

In our last issue of *Connections*, we discussed debt counseling and management programs, but typically as a last resort. Here are a few simple measures you can take before you get to that point:

1. Determine how much you owe

Sounds fairly obvious, doesn't it? Except so many Americans owe so much on so many different credit cards, not to mention other loans they may be carrying, that they don't really know. Start by making a list of all your credit cards, your current balance on each and the interest rate that each charges. Some people begin their efforts by focusing on the cards that charge the highest rates. Others focus on the cards with the lowest balances so they can feel a sense of accomplishment as quickly as possible. Either way, develop a plan to pay off these debts by including payments as part of your monthly budget . . . which brings us to our next suggestion.

2. Develop a budget

Most people don't have one. They may know what they pay for such important fixed expenses as a mortgage payment, rent or car payment, but beyond that, they'd be hard pressed to provide an accurate figure. Compile all monthly statements and categorize expenses by such headings as food, utilities, clothes, gas, etc. Now divide categories into sub-categories—what you truly need and what you don't.

How do the results match up with your income? Do they match up better once you eliminate impulse buys and unnecessary expenses? Because “man doesn't live by bread alone,” you might want to include a figure for “wants,” as opposed to “needs” in your budget, but make sure this figure doesn't equal the amount of any surplus you may have.

You still have to budget for the debt you already owe and hopefully, for savings as well.

3. Stop using your credit cards

Yes, we know this seems like a drastic measure, but until you get out from under what you've already incurred, you might find that paying with cash will curb your expenses.

4. Consider debt consolidation

Many banks and credit unions offer you the ability to consolidate all your credit card balances into one convenient loan account. Typically, this loan imposes a lower interest rate than the credit card companies you're currently paying.

Some consumers choose home equity loans for debt consolidation because they offer a lower rate than debt consolidation loans. Remember, however, that failure to pay off a home equity loan can place your home in jeopardy. And while a debt consolidation loan charges a higher interest rate, it may be a safer solution. Just make certain you read the fine print. Some debt consolidation loans only offer low rates for a specified period of time. And if your credit score is low, you may be required to pay a higher rate than that which is advertised.

5. Set specific goals

Instead of just vowing to pay off all debt and save more for the future, you should consider formulating objectives that have numbers attached to them—I'm going to pay off 50% of my Visa® balance by April; I'm going to pay down my car loan by \$7,000 this year, etc.

Once you actually pay off debt, don't stop making periodic payments. Just change the recipient of those payments from a lender or credit card company to yourself. Build up your savings or retirement account. Or determine a new objective like saving for a vacation, down payment on a new car or even a specific amount you can use next holiday season.

MORE TIPS TO CUT THE YO-YO STRING

- If you're even moderately computer-savvy, consider buying a software program like Quicken® or Microsoft® Money that enables you to track your monthly expenses and understand where your money is actually going.
- If you're a two-income family, make an effort to live on one of those incomes and invest the rest. Again, set specific goals for the assets you're investing.
- Build charitable contributions into your budget. By giving money to an organization that's important to you, you achieve a number of objectives—namely, supporting a cause you feel passionate about, receiving a tax deduction for the contributions you make and maybe decreasing the acquisitive impulse in yourself that caused you to get into debt in the first place.

Managing your debt can mark the beginning of a new financial awareness that will guide your actions and keep you on a straighter path toward your most important objectives.

Sources:

¹ *Choking on Credit Card Debt*, Forbes.com, September 2008

² Ibid

³ *Bankruptcies Back on the Wrong Track*, Center for American Progress, June 2008, www.americanprogress.com

**Resolve to Manage
Your Debt More
Effectively This Year**

Affinity's free Budget and Credit Score Enhancement Service (BASES) can help you get out of the debt cycle. To learn more, visit www.affinityfcu.org or call 800-325-0808 ext. 3753.



Learning to love **red ink**:

How the Right Loan Might Be Your Staunchest Financial Ally

Some people view debt as a last resort, while others embrace it as an integral component of their financial plan.

The fact is, the right financing arrangement can help you buy a home, send your children to college or acquire any number of goods and services without liquidating valuable assets. As a result, you avoid incurring income tax liability for any gains you might have earned and maintain the growth potential of your investment portfolio or real estate holdings. With all the innovative loans that have been introduced in recent years, however, many consumers are unsure which might be most suitable for them.

Here are a few basics to consider next time you go loan shopping:

- **Secured or unsecured**

Secured loans are based on collateral like your home or securities portfolio. Unsecured loans are based solely on your credit—whether or not, in the opinion of the lender, you have the ability to repay the loan on a timely basis. Secured loans, as you might expect, offer lower interest rates than unsecured loans. However, they involve greater risk—if you can't make payments, you may lose the assets securing the loan.

- **Fixed or variable**

Some loans offer a fixed interest rate that never changes. Others offer a rate

that changes periodically to keep pace with prevailing interest rate levels. Variable rate loans generally offer lower rates than their fixed rate counterparts—at least initially. Depending on interest rate fluctuations, however, variable rate loans may ultimately cost you more.

- **Loan or line of credit**

A loan is simply an agreement to borrow money and pay it back with interest over a specific time period. A line of credit is available over a specific time period to provide you with funds when you need them. You may access your line of credit by simply writing a check. Each check you write is in essence a loan that must be paid back within a specific timeframe.

WHAT ARE YOUR ALTERNATIVES?

Credit Cards

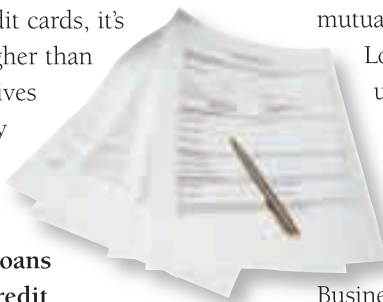
Credit cards are essentially loan agreements. The loan begins when you use your card to make a purchase. Repayment begins when you receive your next monthly statement. With credit cards, you can take as long as you wish to pay, provided you make a specified minimum payment each month. However, the interest rates charged by credit card providers are notoriously high—approximately 12-13% on average.¹ As a result, you should confine use of your credit cards to short-term purchases and seek other financing arrangements for longer-term needs.

Personal Loans

These can be car loans, debt consolidation loans, home improvement loans or other loans that are typically unsecured (although in the case of some car loans, they may be secured by the vehicle you purchase). The term for these loans is typically less than five years and while the interest rate charged is lower than that imposed by credit cards, it's considerably higher than secured alternatives like home equity loans and lines of credit.

Home Equity Loans and Lines of Credit

What if you could access the equity you've built up in your home to pay for virtually any expenses—remodeling, college tuition, medical expenses, or a new car? That's the principle behind home equity loans and lines of credit, financing arrangements that have become increasingly popular over the past 20 years.



In addition to providing a ready source of capital, home equity loans and lines of credit are usually available with no closing costs or application fees. In addition, the approval process is far less onerous and time consuming than that required for traditional mortgages.

Home equity loans offer a fixed rate with terms that can range from 5-20 years. Home equity lines of credit typically offer a fixed rate for a specified number of years before changing to a variable rate for the remainder of the term. Unlike personal loans and lines of credit, the interest paid on home equity loans and lines of credit may be tax-deductible.

Stock-Secured Loans and Stock-Secured Lines of Credit

These overlooked vehicles work similarly to home equity loans and lines of credit except instead of using the equity in your home as collateral, they use the value of securities in your investment portfolio.

Generally, borrowers can access up to 50% of the market value of stocks, bonds, mutual funds and other eligible securities.

Loans are often available with terms of up to five years and charge a fixed interest rate. Lines of credit offer the convenience of being able to access funds by writing a check, and charge a variable rate.

Business owners often find stock-secured loans to be a valuable tool for managing unpredictable cash flow, and taking advantage of immediate opportunities until longer-term financing can be arranged. You should realize, however, that if the value of your securities declines in unfavorable markets, you may be required to deposit additional collateral.

WHICH LOAN SHOULD YOU CHOOSE?

There are no right or wrong answers. What may seem to be the right loan choice at one time in your life may be the wrong choice at another.

For example, if you're looking to finance a new car, you may automatically apply for a car loan. But chances are, you could get a much lower interest rate by arranging for a home equity loan or line of credit. At the same time, you have to decide how long you want to pay for your purchase. Car loans are available with terms as low as two or three years. Home equity loans usually require a minimum term of five years. Your monthly payments will be lower with a home equity loan, but you could be paying more in interest charges over the duration of the loan.

You should also determine whether a fixed-rate or variable-rate loan would make more sense for you. Variable-rate loans may offer lower rates initially, but ultimately they impose a rate that fluctuates with prevailing interest rates. What if rates go up over time?

Fixed-rate loans allow you to lock in a rate over the long-term, but what if interest rates go down and you're stuck paying a higher rate than you would have paid with a variable-rate line of credit?

Of course, no one can predict the direction of interest rates, but you should consider the economic climate, as well as timeframe, interest payments and your own needs and objectives before you sign on the dotted line.

Source:

¹ www.indexcreditcards.com, September 2008



If You're
Contemplating
a Loan...

...understand the options available to you. Talk to an Affinity Loan Specialist who can help you develop a financing strategy that makes sense for you. Visit www.affinityfcu.org or call 800-325-0808.



Taking Care of Business

New Year. New President. But unfortunately, not a new economy—at least not yet. The difficult conditions that have plagued American consumers and businesses since early 2008 have not yet changed for the better. But that doesn't mean you have no choice but to grit your teeth and wait passively for better times.

According to some experts, 5% of businesses actually thrive during recessionary environments.¹ And, the vast majority of them do survive. What can you do to take advantage of any opportunities that might be hiding in the gloom and position yourself for what will hopefully be a not-too-distant turnaround?

IF YOU'RE GOING TO SET GOALS, MAKE SURE THEY'RE SMART

SMART stands for specific, measurable, attainable, realistic and timely. It's a term used by business consultants to help clients separate actionable ideas from wishful thinking. "I'm going to get in shape this year," might be an example of the latter. "I'm going to fit into those jeans I bought last year by September," might be an example of something SMART-er,

especially if it's accompanied by, "I'm going to cut out desserts and join a gym."

Here are a few potentially SMART ideas to which you can add appropriate detail:

- **By all means, reduce expenses.** But, be careful not to slash muscle while you're trimming fat. Don't automatically look to lay off valuable employees or cut your marketing budget. In fact, now may be the time to add a dynamic salesperson or increase your advertising presence. After all, the idea of owning your own business is to generate business, isn't it?

Before you start cutting, try to quantify how much you hope to save and carefully analyze every area of your operations to determine which are truly not contributing to your bottom line.

- **Don't just monitor cash flow, forecast it.** That means matching your fixed expenses and planned expenditures to accounts receivable and making

able to increase them again so easily when the economy turns around. Now is the time to focus on improving service by shortening production schedules or keeping more customer-friendly hours. And if you must focus on price, confine your efforts to rewarding important customers with pre-payment incentives or price breaks for entering long-term contracts.

- **Take stock of your inventory.** It's pointless to tie up cash in unproductive assets. By now, you should know how many times a year you typically turn your inventory or how long it takes you to sell it. If sales are slowing, order fewer products and continue to monitor your progress so you don't overstock or get caught short in the event of an economic turnaround.
- **Be SMART about debt.** Depending on prevailing interest rates, you may be able to refinance loans or negotiate lines



In this or any economy, it's important to measure your progress. You don't know where you are if you don't know where you've been. Establish metrics for all your business processes—how long it takes to deposit customer payments and gain access to cash, how individual items in your inventory are selling and whether you're tying up capital in slow moving goods. If you're a service business,

in Today's Sluggish Economy

adjustments if they don't balance. What kind of adjustments? Avoid expenditures that aren't completely necessary, of course, but pay closer attention to collections as well. Today's lackluster economy is probably affecting your clients as negatively as it's impacting you. Stay in close touch with them to determine how they're faring and whether their creditworthiness has taken a hit. Don't wait until payments are overdue before you begin collection efforts. And make sure you address all customer service issues promptly, so they can't be used as an excuse for withholding remittance.

- **Add value, don't cut prices.** By conducting a fire sale, you commoditize the products and services you offer. And once you cut prices, you may not be

of credit at more favorable terms. If you're crunched for cash, consider talking to creditors about extending payments before your bills are past due. Chances are they'll be receptive if you have a solid credit history.

- **Involve your employees.** They're affected by adverse business conditions, too. Meet with them regularly and enlist their assistance in cutting costs and improving productivity. If layoffs seem unavoidable, ask them to develop alternative solutions—job sharing or shortened hours, perhaps. And, especially in difficult times, show employees how much you appreciate them. You may not be able to give them raises, but a simple compliment or public acknowledgement of their contributions can go a long way toward lifting morale and ensuring commitment.

determine how to maintain the quality of your service. Do you obtain feedback from customers, for example, or impose service standards on employees?

The 5% of businesses that thrive in difficult economic environments don't all do it by luck. Resolve to make 2009 your SMART-est year yet. You may find yourself flourishing even before the economy turns around.

KEEPING MORE OF YOUR PROFITS THROUGH ASTUTE TAX PLANING

Making money in this economy is difficult enough without contributing an unduly large portion of it to unnecessary taxes.

As a business owner, you have numerous opportunities to reduce your tax bill through such allowable write-offs as up to

\$250,000 for major equipment purchases like computers or office furniture and 100% of any health insurance premiums you pay.

Beyond these incentives, however, Uncle Sam offers a number of other opportunities to reduce your business' income tax, provided you know where to look for them. Here are just a few to think about:

- **Defer income...or not**

If you think that this year will be better than next, defer year-end billing to just before the new year or even 2010, so that the payments you receive won't count toward this year's income tax. Conversely, if you think that next year will be more profitable than 2009, speed up your billing process and try to book as much income as possible this year.

Variations on this theme include prepaying estimated tax payments and perhaps even electing a new fiscal year.

- Estimated tax payments are deductible for the year that they're paid. If you foresee a large tax bill, make your January 2010 estimated payment in December 2009. That will reduce your taxable income for this year, instead of next. The same principle applies to local property taxes. Making any payments in December will enable you to take a deduction for this year.
- You don't have to adopt the calendar year as your fiscal year. If your business tends to be cyclical, with sales at their strongest around the holiday season, consider ending your fiscal year in June. This strategy will enable you to defer tax payments on year-end profits to the following year.

- **Bite the bullet on bad debts and sluggish inventory**

Uncollectible debts are especially frustrating to business owners because even if they file a small claim against the debtor and receive a favorable judgment, they often fail to collect because the debtor goes bankrupt. As long as you keep records showing that you tried to collect payment, you can write-off debts for which you have no hope of ever getting paid. In addition, you might think about going through your inventory and destroying or donating

those dusty goods that were supposed to be hot sellers but never were.

- **Make the most of losses**

Individual tax payers who suffer investment losses often carry forward a portion of their losses for use in future years. The same principle applies in reverse for businesses. If you foresee major losses, you might be able to carry a portion of them back to the two previous tax years. That means you would actually qualify for a refund of taxes you have paid in those years.

Source:

¹ Reilly, Tom, *Selling in Tough Times*, www.tomreillytraining.com, 2008

Don't Try This at Home

Tax laws are complex and one wrong move can have a ripple effect on your business and personal finances. If you don't currently work with a CPA, do so immediately. The right professional can not only prepare your taxes and help you identify write-offs you might miss on your own, but can provide you with ongoing advice that can result in tax savings far exceeding the fees you pay.

To choose the right CPA for your business, ask colleagues and associates for referrals, but you might also consider the following:

- **Who does your bookkeeping?**

Some business owners want the control of keeping their own books through QuickBooks® or other recordkeeping systems. Others would just as soon relinquish this responsibility to an employee or outside professional. Some CPAs offer bookkeeping services, but others do not.

- **Do you need a specialist?**

Some industries are subject to unique tax laws and government regulations that require specialized expertise. If you're a dry cleaner, you don't need an accountant with expertise of this nature. If you're in an energy-related business, however, you might benefit from a CPA who speaks your language.

- **Big firm or small?**

Big firms typically charge more but offer more services. Small firms provide more personalized attention and the benefits of working with the same professional on an ongoing basis. By hiring a sole proprietor or small partnership, you can develop a relationship with a CPA who understands your business.

Once you choose a CPA, meet with him or her on a regular basis, not just at tax time. The right CPA can help you take advantage of favorable tax laws and avoid potentially harmful liabilities throughout the year.

How Do You Make SMART—er Business Decisions This Year?

Affinity Business Solutions offers customized advice that can lead to a healthier bottom line and greater employee satisfaction. For more information, visit www.affinityfcu.org or call 800-325-0808.

Reviewing Your Rainy Day Reserves

How much should you keep in your checking account, money market account and certificates of deposit? And how much should you keep in one versus the others?



According to most experts, the answer to the first question is 3-6 months of living expenses. By maintaining this reserve in accounts that are easily accessed, you protect yourself in the event of emergencies such as unforeseen expenses or losing your job. And you avoid having to sell less liquid investments like stocks, bonds or mutual funds under duress.

As for the second question—how much should you keep in each—here's a look at the alternatives available to you:

• Checking Account

Does it pay interest? Does it require you to keep a minimum balance and charge you a fee if you fail to do so? Does it offer free checks and online banking? These are just a few of the questions to ask about the account that you probably take for granted. Your checking account may not pay much interest, but it shouldn't be costing you money.

• Money Market Account

You'll earn high interest in a money market account, but you'll be subject to more restrictions. Typically, these accounts only allow you to write a certain number of checks and make a certain number of withdrawals and transfers each month. In addition, money market accounts usually impose a minimum balance requirement.

• Certificates of Deposit

These offer a higher interest rate than money market accounts. What's more, the rate remains constant until the CD matures. However, CDs don't offer the same liquidity as money market and checking accounts. You won't be able to withdraw your assets before maturity without incurring a penalty. CDs are available in maturities that range from a few months to several years. The longer the maturity, the higher the interest rate.

CHECKING ACCOUNTS VS. MONEY MARKET ACCOUNTS

- You might consider using a money market account instead of a checking account if you don't expect to write more than a few checks or make more than a few withdrawals or transfers each month.
- You might consider a money market account, in addition to your traditional checking account, for the 3-6 month rainy day reserve discussed earlier. You can keep only enough in your checking account to meet day-to-day expenses.
- You might also think of your money market account as a convenient place to keep assets that you plan to spend over the next few months. Money market accounts are a great place to save funds for quarterly estimated tax payments or major purchases such as home furnishings or a new car.

MONEY MARKET ACCOUNTS VS. CERTIFICATES OF DEPOSIT

- You can earn higher interest on your reserves by allocating a portion of them to Certificates of Deposit with relatively short-term maturities (3-12 months), while keeping the remainder in a money market account.
- Another way to participate in CDs without tying up all your reserves for a long period of time is to ladder maturities. To understand this concept, imagine that each CD is a rung on a ladder with the shortest maturity at the bottom, the next shortest directly above it and so on until you arrive at the longest maturity on the topmost rung. For example, let's say your ladder contains five rungs with CDs maturing in 3 months, 6 months, 1 year, 18 months and 2 years. When the 3 month CD matures, you can use the proceeds to buy a 2 year maturity since that rung is now vacant. When the 6 month CD matures, you can do the same, thereby perpetuating the ladder. In this way, you will always have CDs maturing at regular intervals. This approach can also help you take advantage of rising interest rates by reinvesting proceeds in higher rate CDs. And if rates drop, you will still have a portion of your reserves in CDs with higher yields.

Which Federally-Insured Account is Right for You?

Checking? Money Manager? Certificate Accounts? Affinity's checking and savings accounts are insured to at least \$250,000 by the National Credit Union Administration (NCUA), a federal agency backed by the full faith and credit of the United States government. To learn more, visit www.affinityfcu.org or call 800-325-0808.

Covering All Your Bases with *Long-term Care* and *Life Insurance*



Most people understand the basics of life insurance. It provides them with the peace of mind that in the event of a breadwinner's premature death, his or her family will be able to maintain their current lifestyle without compromise.

But what if that breadwinner doesn't die prematurely? What if he or she lives to a ripe old age—a distinct possibility, given today's longer life expectancies.

The aging process, unfortunately, is often accompanied by chronic conditions that may require ongoing medical attention or even long-term care at home or through an assisted living or other facility. In fact, some experts estimate that 70% of people who are age 65 and older will need nursing home care during their lifetimes.¹

And with the cost of nursing home care averaging more than \$76,000 a year,² extended treatment can erode even the most carefully constructed retirement nestegg and leave loved ones with little more than their memories.

That's why long-term care insurance has become so popular with aging baby boomers in recent years. Like life insurance, long-term care insurance may pay a benefit in return for periodic premium payments. Unlike life insurance, however, that benefit is paid not upon the death of the policy owner, but upon his or her need for custodial care—what Medicare defines as assistance with such basic life functions as eating, dressing and bathing.



WHAT DOES LONG-TERM CARE INSURANCE COVER?

Depending on the type of policy you choose, you receive a benefit for a specified number of years once you require custodial care. You may use this benefit to meet nursing home, assisted living, adult day care or home nursing care expenses. However, benefits are not generally paid until the end of what is called an elimination period that may vary from a few months to a year.

Some long-term care policies offer benefits that are tied to the inflation rate and increase accordingly year after year. All policies charge premiums that, like life insurance, vary according to your age and medical condition at time of purchase. Premiums may also vary, depending on the:

- length of benefit period
- amount of benefit
- length of elimination period



You should realize that Medicare and other traditional medical insurance programs do not cover long-term care expenses. Medicare may cover medically necessary care after a hospital stay of at least three days, but coverage for an extended period is limited.

SHOULD YOU PURCHASE BOTH LIFE AND LONG-TERM CARE INSURANCE?

The answer depends on your individual situation. Many people buy life insurance when their children are young and they haven't yet compiled enough assets to leave their loved ones financially secure. Often, they let their policies lapse when they've reached a point in life where major debts—mortgage, children's college tuition, etc.—are paid off and their assets are substantial enough to leave a meaningful legacy.

Other people retain their insurance policies as part of an overall estate plan, so that heirs can use income tax-free death benefits to pay any estate tax due without liquidating real estate or other assets. And still others would never dream of giving up their policies because they own what is called permanent insurance—whole life, universal life or variable life policies that have accumulated cash value over the years. They may now access this cash value to pay future premiums or supplement retirement expenses.

Long-term care insurance, however, is not nearly as complex. If you can afford it, you should seriously consider purchasing it. Failure to do so can:

- limit your options when it comes to choosing long-term care alternatives
- force loved ones to make difficult choices under financial duress—should they deplete your assets to pay for care or maybe quit their job to take care of you themselves
- leave you with no choice but to liquidate assets you had planned to leave as a legacy

If you ultimately decide not to purchase long-term care insurance, you should keep your life insurance, so that your loved ones will be able to inherit the legacy you intended. You should also make certain you have enough assets to pay not only for care, but for the living expenses of your spouse or other family members who depend on you. Finally, when shopping for long-term care coverage, remember that both you and your spouse will require separate policies.

Sources:

¹ The American Society of Aging, "Americans Fail to Act on Long-Term Care Protection", May 2003

² Genworth Financial, 2008 Annual Cost of Care Survey

How Much Insurance Should You Own?

And what kind? Is your current coverage adequate? Affinity Insurance Specialists can help you find out. Visit www.affinityfcu.org or call **800-325-0808**.

Is Your Contact Information Up To Date with Affinity?

Unfortunately, identity theft, phishing, and other forms of fraud are all on the rise. We want to help you protect your identity. One way to help protect yourself is to ensure that your contact information is up to date with us. For example, has your address, email or cell phone number changed? Let us know – so we can be sure we have the right information to reach you.

It only takes a minute to update your information:

- Call our Member Service Center at 800-325-0808
- Log on to Internet Home Banking and complete the Address Change form under Applications and Forms
- Visit one of our branches – find the closest at www.affinityfcu.org/locator

Let Affinity Help You Prepare Your Taxes!

We offer a variety of tax resources to meet your needs, including:

- Professional tax preparation from experienced CPAs
- Access to TurboTax® OnlineSM, for the do-it-yourselfer, at special discounted prices for our members
- Our Online Tax Center at www.affinityfcu.org/tax for tips, forms, information and more

To learn more, or to schedule an appointment with a CPA, call 800-325-0808 or visit www.affinityfcu.org/tax.

Affinity's New Website is Coming Soon!

The www.affinityfcu.org site will soon have a completely new look! Our new website will be intuitive and easy to use – allowing you to find what you're looking for when you're looking for it! Even our Internet Home Banking area will get a makeover! We're sure you'll agree our new website will be easy to use. Stay tuned and look for the new www.affinityfcu.org coming soon!

Community News

Affinity Partners with Community Hope to Aid Veterans.

Affinity is proud to support the mission and work of Hope for Veterans®—a transitional housing and rehabilitation program, developed and operated by the nonprofit organization Community Hope (www.communityhope-nj.org). Hope for Veterans helps those who honorably served our country establish sustained independence through supported housing, recovery services and financial self-sufficiency through employment.

In November 2006, the Affinity Federal Credit Union Foundation and the Affinity Learning Institute joined with Community Hope to launch the "Veterans Learning Institute" to help our veterans get back on their feet financially. Affinity employee volunteers serve as financial educators and job search tutors through monthly classes.

On Veterans Day 2008, Affinity hosted a luncheon to award certificates of completion to the group of veterans who participated in the educational classes over the past year. The occasion also served as a fitting way to honor and recognize their service to our country.

"Affinity has been one of the earliest supporters of the Hope for Veterans Program since opening our doors in the summer of 2004," said Carmela Lunt, President and Founder of Community Hope. "They have been a partner in the truest sense of the word. This partnership empowers our veterans to compete in the workforce and to budget their monies for necessities such as housing and transportation so they can be self-sufficient upon graduating from the program."

The Affinity Federal Credit Union Foundation 501(c)(3) supports local, community-based, non-profit outreach organizations through close volunteer relationships and monetary contributions. Find out more at www.affinityfcu.org/foundation.

Thank You for Choosing Affinity

Since the last edition of *Affinity Connections*, the following companies have joined the Affinity Federal Credit Union family as Select Employee Groups (SEGs). We'd like to thank you for choosing Affinity. If you know of a business that wishes to take advantage of offering the benefit of Affinity membership to their associates, please have them call **800-325-0808**. We'll be happy to talk to them about the Affinity Federal Credit Union difference.

A Partnership for A Better Tomorrow
Ace Kitchens & Baths Inc.

ACN

Adaptive Pharmacogenomics, LLC

AFM Consultants

AFScott, LLC

Aiello Sanitation

Aldo's Foods, Inc.

Alfred Aloisi Associates

Alfred Dunner Retail

All Pro Tents Inc.

Amy Church Marinovic, Esq.

Archer Cooperative Nursery School

Athreya

AVA Properties and Management, LLC

Avelient, Inc.

Bayshore Computers &
Telecommunications

Berkeley Periodontics

Bill Roberts Remodeling

Bill Wright's Guitar Studio, Inc.

BKM Consulting, LLC

Boatsafeus, LLC

Bridgett Thompson Photography, LLC

Camera One

Career Resolutions

Cassandra's Florals and Gifts

Cavvy Services, Inc.

Chronic Pain Solutions, LLC

Coach A La Roach

Columbus General Store

Combo Vending, LLC

Corporate Security Force, LLC

Corporate Security Solution, LLC

Delta Marcliff Insurance Agency

Denise Marie Interiors, LLC

East Dragon Karate Academy

eBSTC Business System Technologies
Corporation

Eclectic Affairs, LLC

EMESS Management

Executive Financial Management, Inc.

Expressions by Josephine

Fox Media Group

Gateway Academy

GEM Obsessions, LLC

Genevieve Jones Photography

Global Microsystems Inc.

Goboss Productions, LLC

Golden Years Unlimited, Inc.

Hahr & Lyon Construction

Heart & Vascular Center of New
Brunswick, LLC

Heritage Music Corporation

Hovaco, LLC

ICM Consulting, LLC

Imports Décor Inc.

inforeem

Intersoft Technologies International, LLC

James Famula, PGA Professional

JC Rehab, LLC

Jentrak Herbal Products

Jerry's Place

Just Etc.

Klean Bubbles Laundromat

KlemEnt, LLC

L. Goodman Consultants

Lane One, Inc.

Laser Renew

Leckner Marketing Consultants, Inc.

Libertek, Inc.

Living Life Therapeutic Massage &
Bodywork

LNC Technology, LLC

Mauro, Savo, Camerino & Grant, P.A.

Meals on Wheels

Middletown Township of NJ Lions Club

Midnight Express Courier, Inc.

Mike's Automotive Service Center, Inc.

Mirror Image Barber Shop

Moco's Catering

Morrow & Associates, LLC

MSO

New Jersey Right to Life

New Jersey Youth Golf Foundation

New Mid Town Food Market

NJ Center For The Healing Arts

NJ Wait Staff

NJANALYTICS, Inc.

Noihsaf Basement, LLC

Novehc Enterprises, Inc.

Nucomm, Inc.

Open Gates to Fly Enrichment School
of Tutoring

P.D. Fiorentino, Inc.

Plainfield Boxing Academy, Inc.

Primerica A Citi Company

Rightsourcepro, Inc.

Riya Auto Sales & Rental, LLC

Ronald M. Sidorsky, DPM

Rose's QB Financial Services

RTP Environmental Associates, Inc.

Ruby Real Estate & Management, Inc.

Safe Water Limited Liability Company

Santronix Infosys, LLC

Sargon Consulting, LLC

ScienceFirst

Sentimental Keepsakes by Leah, LLC

Sierra Allied Health Academy, Inc.

Sierra House

Simmo Construction Co., LLC

Sinfully Sweet LLC

Smart Cents Consulting, LLC

Smiling Dogs, LLC

St. Joseph Academy, Inc.

Stitch For You

Stratis Business Centers

Suzanne Garofalo Design

The Arc of Middlesex County

The Concierge Group, LLC

The Liza Group

The Presbyterian Church at Pluckemin

The Radiology Center at Harding

The Tri County Journal

Thinksolutions, Inc.

Three Stages

Timber View Properties Inc.

Top Cat Cleaning, LLC

Two Guy's Concept, LLC

UMS, Underwriters Marketing
Service, Inc.

Visionary Economic Business Solutions

Warm Spirit

What's Going On This Weekend, LLC

WISEnterprises

Yatek Consulting, LLC

Zullo Building, Inc.



73 Mountain View Blvd.
Basking Ridge, NJ 07920

Std. Presort
PAID
Permit No. 225
Warminster, PA



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FOR YOUR CONVENIENCE

Here is a listing of Affinity Public Access Branches and their hours:

Basking Ridge Branch Mountain View

Corporate Center
73 Mountain View Blvd.
Basking Ridge, NJ 07920
Lobby
Monday-Wednesday, Friday,
8:30-4:00
Thursday, 8:30-6:00
Saturday, 9:00-1:00

Drive Up
Monday-Friday, 8:30-6:00
Saturday, 9:00-1:00

Bedminster Branch **1520 Route 206 North** **Bedminster, NJ 07921**

Lobby
Monday-Wednesday, Friday,
8:30-4:00
Thursday, 8:30-6:00
Saturday, 9:00-1:00

Drive Up
Monday-Friday, 8:30-6:00
Saturday, 9:00-1:00

Cedar Knolls Branch **Morris County Mall** **235 Ridgedale Ave.** **Cedar Knolls, NJ 07927**

Monday-Friday, 8:30-6:00
Saturday, 9:00-1:00

Denville Branch **Saint Clare's Hospital**

25 Pocono Road
Denville, NJ 07834
Monday-Wednesday, Friday,
8:30-4:00
Thursday, 8:30-6:00
Saturday, 9:00-1:00

Dover Branch **Saint Clare's Hospital** **400 W. Blackwell Street** **Dover, NJ 07801**

Monday-Wednesday, Friday,
8:30-4:00
Thursday, 8:30-4:30

Flemington Branch **275 Route 202 South/** **31 South**

Flemington, NJ 08822
Monday-Wednesday, Friday,
8:30-6:00
Thursday, 8:30-7:00
Saturday, 9:00-1:00

Hillsborough Branch **Hillsborough Promenade** **315 Route 206 North** **Hillsborough, NJ 08844**

Monday-Wednesday, Friday,
8:30-6:00
Thursday, 8:30-7:00
Saturday, 9:00-1:00

Middletown Branch **Country Square**

Shopping Center
1860 Route 35 South
Middletown, NJ 07748
Monday-Friday, 8:30-6:00
Saturday, 9:00-1:00

Morristown Branch **Country Mile Village** **1098 Mt. Kemble Ave.** **Morristown, NJ 07960**

Lobby
Monday-Thursday,
8:30-4:00
Friday, 8:30-5:00
Saturday, 9:00-1:00

Drive Up
Monday-Friday, 8:30-6:00
Saturday, 9:00-1:00

New Providence Branch **A & P Shopping Center** **598 Central Ave.** **New Providence, NJ 07974**

Monday-Friday, 8:30-6:00
Saturday, 9:00-1:00

Paramus Branch **AT&T Wireless** **15 East Midland Ave.**

Paramus, NJ 07652
Monday-Wednesday, Friday,
8:30-4:00
Thursday, 8:30-5:30

Piscataway Branch **Next to IHOP** **1342 Centennial Ave.** **Piscataway, NJ 08854**

Lobby
Monday-Wednesday, Friday,
8:30-6:00
Thursday, 8:30-7:00
Saturday, 9:00-1:00

Drive Up
Monday-Wednesday, Friday,
8:00-6:00
Thursday, 8:00-7:00
Saturday, 9:00-1:00

Not near one of these branches? You can also access your accounts via 50,000 surcharge-free ATMs, 1,700 shared branches, or through Internet Home Banking. For information, visit www.affinityfcu.org/locator.

CONTACT US ONLINE OR BY CALLING OUR MEMBER SERVICE CENTER:

www.affinityfcu.org | 800-325-0808