Pay Close Attention To Your Beneficiary Designations

As you manage your financial and investment strategies over the years, you might overlook a couple of simple activities: designating and regularly updating your beneficiaries. However, while it is easy to name a beneficiary, it is also quite important to review them as your life changes—which is why you will want to ensure that you have the correct beneficiary designations in place.

Beneficiary Basics

When you named a beneficiary on a credit union account, life insurance policy, annuity, IRA, 401(K) or other financial vehicle, you may not have realized just how powerful and useful the beneficiary designation can be. Keep this in mind: The beneficiaries you designate will inherit the assets directly – no matter what your legally drafted will states. And these assets will also bypass the potentially time-consuming, public and expensive probate process. If you neglect to name a beneficiary, your assets may pass to a default beneficiary—again superseding your will.

You have almost unlimited freedom in choosing your beneficiaries. You should name a primary beneficiary and a contingent beneficiary (the person or entity to receive your assets if the primary beneficiary dies before you or disclaims the assets). You could even name multiple beneficiaries.

Once you choose your beneficiary designations, you can't forget about them—because, over time, circumstances can change. Consider the following scenarios:

- **Marriage –** If you have married, or divorced and remarried, but neglected to update your beneficiary designation, your survivors may have to litigate to establish ownership of the assets you left behind.
- **New Children –** If you named your older children as beneficiaries, but you have not updated your beneficiary designation to include those born after the initial designation, your younger children could be excluded.
- **Beneficiary's Death –** If your beneficiary dies before you. You will need to name a replacement unless you have already named a contingent beneficiary.
- **Change of Beneficiary's Status –** If you designate a charitable organization as a beneficiary and the charity loses favor with you or goes out of existence at some point in the future, you could end up with a financial asset in the wrong hands or without a home.

You can probably imagine other situations in which you might need to update your beneficiary designations. That's why it is a good idea to review these designations every few years. It's easy to make changes, and by keeping your beneficiaries up to date, you help ensure your assets will be distributed according to your true intentions.

Trusts As Beneficiaries

In some circumstances, you may want to establish a trust and name it as your beneficiary. Suppose, for example, that you name your grandchildren as beneficiaries of your IRA, 401(K) or insurance policy. While you want them to have the money, you might have good reasons for not wanting them to have it al at once. In the first place, by obtaining the assets in a lump sum, they could incur a large income tax bill. Also, if they are spenders, they could quickly go through the money that you had hoped would last them for quite some time.

To avoid these potential problems, you might want to set up a trust for the benefit of your intended beneficiaries and then name that trust directly as beneficiary of your IRA, 401(K) or other financial instrument. Your grandchildren will receive the funds after you die, but according to your wishes, as spelled out in the trust document. This lets you control the timing and amounts of distributions, and helps prevent your grandchildren or other trust beneficiaries from squandering funds.

However, you may find some potential drawbacks to naming a trust as a beneficiary. For one thing, in terms of post-death distribution planning, your beneficiaries lose flexibility in the way they receive their distributions. This could prevent them from using those assets in the manner they would prefer. Furthermore, if your trust is not properly drafted by a qualified source, your assets could be treated as if you died without a designated beneficiary for your IRA or 401(K). This could shorten the payout period for required distributions, which means your heirs would not be able to spread them out over many years.

Taxes And Beneficiaries

When naming beneficiaries, taxes may be an issue to consider. There are steps your beneficiaries can take to reduce potential tax burdens resulting from some of the assets you bequeath. For example, they could stretch an IRA, which, as the name suggests, lets your beneficiaries stretch out IRA withdrawals, and the subsequent taxes, over their life expectancies. And since they won't be liquidating the IRA all at once, it can continue growing over time.

Consult Tax, Legal Advisors

As you see, many factors go into selecting and updating your beneficiary designations. Consult with your tax and legal advisors before making any decisions. You work all you life to build assets that you can pass on to your family or to charitable organizations—so you want to make the right designations.

Credit Union News

International Airline Employees Federal Credit Union

Volume: 46 Issue: 4 Winter 2006

Holiday Closings

New Year's Day
January 1, 2007

Martin Luther King, Jr. Day
January 15, 2007

Presidents' Day
February 19, 2007

News You Can Use

Tax forms will be mailed with your December 2006 statement. 1099-INT forms will be provided only if interest income exceeds $10.

IAEFCU Mission Statement:

Our Financial Institution was founded on the principles of:

- Confidential, personalized service
- Low loan rates and high savings rates
- Education of our members in building financial security
- Conservative management to preserve our members' assets
- Promoting a cooperative work environment for our employees.

When Is A Savings Account Not A Savings Account?

Short Answer: When It's MIS-Used As A Transaction Account…

There are seemingly countless numbers of rules and regulations that must be followed to operate IAEFCU. The one known as "Reg. D" pertains to savings accounts. This regulation limits the number of withdrawals and/or transfers that are made by check, debit card or a bill pay system, and is summarized in the table below.

If we have to transfer funds from your savings to your checking account to cover checks presented for payment, after the third such instance, we cannot do it again for the remainder of the month. You can, however, do it yourself as often as necessary, through any of the options in column B below.

The reasoning which underlies Reg. D has to do with how credit unions manage liquidity (uninvested, uncommitted and available cash). From a regulatory standpoint, funds in savings accounts are regarded as being less likely to leave than funds in checking accounts, and consequently, we do not need to keep cash on hand to cover "saved" money being withdrawn. With checking accounts, however, it is assumed that all the funds in them may be withdrawn at once. Therefore, we are required to have enough cash reserved to satisfy that possibility.

Savings Account Transfer And Withdrawal Limitations

A

Unlimited withdrawals are permitted when:

- Made in person
- Made by messenger
- Made by a letter request
- Made by telephone, fax or PC, if a check payable to the member is mailed to the member
- Made using an ATM

B

Unlimited transfers are permitted when:

- Made between the accounts of the same member AND made in person, by messenger, by mail or at an ATM
- Made by the member to pay a loan the member has with the credit union

C

Up to six withdrawals or transfers permitted per month—but no more than three of the six can be by share draft, check, debit card or similar payment vehicle payable to a third party—when:

- Made by telephone, fax, or personal computer and payable to a third party
- Made by telephone, fax or PC to another account of the member at the credit union
- Made by preauthorized, automatic or bill-payment arrangement for the transfer to the member's other account(s) at the credit union or to a third party.

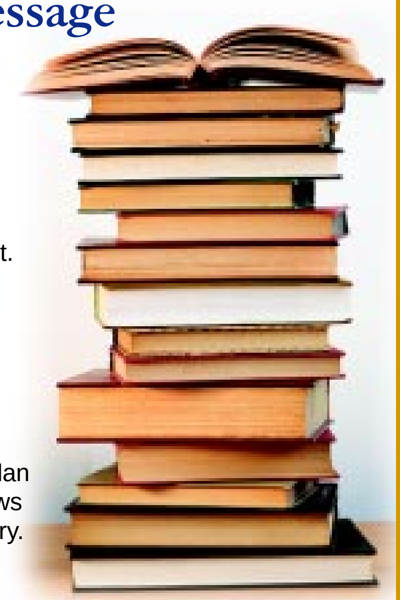
Food For Thought

"He who hesitates is poor."
-Mel Brooks

BOOK REVIEW

Why We Want You To Be Rich: Two Men – One Message

By Donald Trump and Robert T. Kiyosaki



Often, television advertisements promote financial ads for companies who make being rich sound as if it is as easy as picking up the phone and giving them a call. But the harsh reality is that becoming rich is not easy, and in *Why We Want You To Be Rich* the authors address this issue.

The book focuses primarily on the American epidemic of entitlement, in which people expect to get paid huge salaries by their employers, or expect the government to see to their well being after they've retired. It is a misconception people in America have developed and the authors point this out. However, the book would be pointless if it didn't also provide readers with a solution; which it does.

Readers who are looking for a book that is going to tell them exactly what to do with their money; i.e. how to save it, where to invest it, how much to invest, etc…will be sorely disappointed with this book. Unlike typical financial books, *Why We Want You To Be Rich* takes an unorthodox approach. Rather than show readers how to make money, the book takes a more philosophical approach and shows why some people become rich and why others don't.

The overall goal is to leave readers with a firm base of knowledge from which to develop their own plan for creating wealth. The gap between rich and poor is steadily growing every year and this book shows why, and helps readers develop ideas for not becoming part of the group that falls in the poor category.

Why We Want You To Be Rich is a great read for anybody interested in living a wealthy life. It's informative, easy to read, and it's entertaining.

IRA Coverage Increases

Effective April 1, 2006, your Individual Retirement Accounts will benefit from insurance coverage up to $250,000 by the NCUA. Your regular share accounts will continue to be insured at $100,000. As you build your retirement savings, you can be comfortable knowing your growing balances are protected.

Money Matters™ CUNA

"What do you mean, you bought a treadmill with your year-end bonus?!? I already spent that money in November!"

Your Web Security Is Enhanced: What, How and Why

By the time you are reading this issue, you already may have experienced the enhanced security of our Home Banking program. This enhancement, mandated by regulators, is entirely appropriate in this day and age of internet scamming and identity theft.

Registration began in early December and was optional until 01 January 2007. Now everyone who has not already done so will be required to complete the quick and easy registration process. During registration, you will choose an image from an assortment of images, and give it a name. You will also answer three challenge questions (which can be individualized). Thereafter, to access your accounts you will still begin with account number and password, but also have to pick the correct image from a group of 16, tell the image's name, and answer a randomly-selected challenge question correctly.

What Do These Measures Accomplish?

First, the image selection is your assurance that you are indeed communicating with IAEFCU. You will have picked the image and named it. If you are trying to log into your IAEFCU account, and do not see your image, you are not at our site. This is a defense against scammers who hijack and then redirect your session to a look-alike site. If your image is not displayed, call us immediately!

Second, the challenge questions identify you to us. During registration, you will answer three questions, but at log-in, only one question will be presented. Each of the three questions can be one of the ones already on the system, or you can elect to make up your own question and answer for the system to save, store and use.

You will have the option to "register" one or more computers on the system. Registered PCs will not go through the image identification and challenge question answer at login. By registering your PC(s), your image and its name, as well as the challenge questions and their answers, will be tied to your specific IP address(es) and will not be required with each Login. All PCs will be required to "re-register" annually.

International Airline Employees Federal FCU Members Only Car Sale!

JANUARY 15-31, 2007

$300 Gas Card With The Purchase Of An Enterprise Pre-Owned Vehicle!

Why Should You Buy From Enterprise?

- Customer Satisfaction—Nearly 99% of customers are completely satisfied, three years in a row.
- No-Haggle pricing-priced below Kelly Blue Book Retail Values
- Vehicle Inspection- 109 point inspection performed by an ASE-Certified Technician
- 7-Day Repurchase Agreement
- 12/12 Limited Powertrain Warranty
- Vehicle Service Contracts
- Trade-Ins Welcome!

Please call 1-800-CAR-SALES (1-800-227-7253) today for details!

Building Wealth

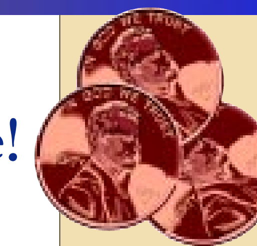
How Smart People Handle Their Money

Monthly spending on low cost "incidentals" – a magazine, a greeting card, a candy bar – can add up quickly and sabotage even well-planned budgets. It may even lead to heated discussion with your partner about "where the money goes." The solution is simple: a weekly allowance. Money allocated for each person to spend as he or she chooses without accounting for it.

To begin, track your spending for a week to determine what a comfortable and reasonable amount would be for each of you. Agree on any specific purchases an allowance covers, such as lunches out, cigarettes, hobby supplies. Each person must decide how to stay on track. Will you withdraw your allowance in cash each week so it's clear when you've run out of money? The credit union allows you to add a second checking or savings account where you can stash your personal funds, especially if you want to save up for a special purchase. You may find yourself packing a lunch or cutting back on vending machine snacks as you prioritize your spending.

The IRS: Did You Ever Notice?

When you put the two words "The" and IRS" together… it spells "THEIRS"?



A PENNY SAVED

Did you know that stores put their most expensive products at eye-level? That means that a quick trip through the supermarket where you grab the first familiar item of everything on your list can cost a lot more than looking up or down. Switch to store brands in the drug store, too, and expect to save a minimum of $1,000 this year if you're a family of four. Keep records for a month of generic brand shopping, and compare it to a month of brand name shopping. The difference may shock you.

Brain Teaser

Attention grammarians and lovers of the English language! Is it ever correct to say "I is"? You'll find the answer on our Web site www.iaefcu.org.

International Airline Employees Federal Credit Union

One Cross Island Plaza, Suite #106
Rosedale, NY 11422
(718) 525-5903
Fax (718) 525-8958

Audio Teller (718) 525-8198
e-mail: info@iaefcu.org
website: www.iaefcu.org