



Money matters

July 2008

Now Hear This!

FREE MUSIC CHECKING

Sacramento Credit Union is excited to announce a new checking account that will be music to your ears! We now offer Free Music Checking to our members.

Like all of our checking accounts, it is FREE! That's right, no minimum balance requirement and no monthly service charges! Add in free BillPay and free music downloads, and you will be dancing your way to savings.

It's easy. All you have to do each month is make 12 debit card transactions, sign-up and receive e-Statements and log on to Online

Access (home banking) and you will receive four free downloads from iTunes®.

To sweeten the deal, when you become a Free Music Checking member, we will hook you up with 10 free downloads, just for opening the account!

Sound good to you? You can open an account right now online, in minutes, by visiting www.FreeMusicChecking.com! Want more information? Call (916) 444-6070, simply visit a local SCU branch near you or click FreeMusicChecking.com. Act now to here the sweet sound of free music.



CHRISTMAS IN JULY

Save Now for the Holidays

As you soak up the warm summer sun, sipping lemonade in your shorts and T-shirt, thoughts of winter winds, eggnog and holiday sweaters couldn't be further from your mind. But don't let holiday spending sneak up on you this year. Ease into the season of giving by opening and contributing to a Sacramento Credit Union savings account today.

TWO HOLLY JOLLY ACCOUNT OPTIONS

Your regular savings account offers a simple and safe way to save for any short-term savings goal. Automatic transfers or payroll deductions let you set your own contribution schedule – and make saving effortless. NCUA insurance up to \$100,000 means you don't have to worry that the money will be there when you need it. Online banking allows you to keep tabs on your growing balance, and may help keep you focused on your goal.

Opening a separate savings account just for the holidays allows you to keep savings

earmarked for celebrations separate from your usual savings. You may be less likely to tap into your holiday funds for other needs, and you'll know exactly how much you have to spend on gifts and other seasonal fun. With a holiday savings account, you may just find yourself with fewer post-holiday credit card bills and a long-term savings plan that's still on track.

SET UP AUTOMATIC TRANSFER FROM CHECKING TO SAVINGS

Start saving today by setting up an automatic transfer from your checking to your savings account. It's easy and it saves you time. To find out how to sign up for automatic transfer, contact your member service representative at (916) 444-6070, or visit us online at www.sactocu.org.

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Calendar of Events

Independence Day – July 4

Labor Day – Sept. 1

SCU Offices Closed

Take a moment out of your warm summer days to open a holiday savings account at Sacramento Credit Union, and reap the rewards of a less stressful holiday this winter!



Selling Your Home? What You Need to Know About the Capital Gains Exclusion



If you've owned your home for many years, it's likely worth far more than you paid for it. You may be surprised to learn that you can realize a gain on the sale of your home of up to \$250,000 – \$500,000 if you're married – without paying any capital gains tax.

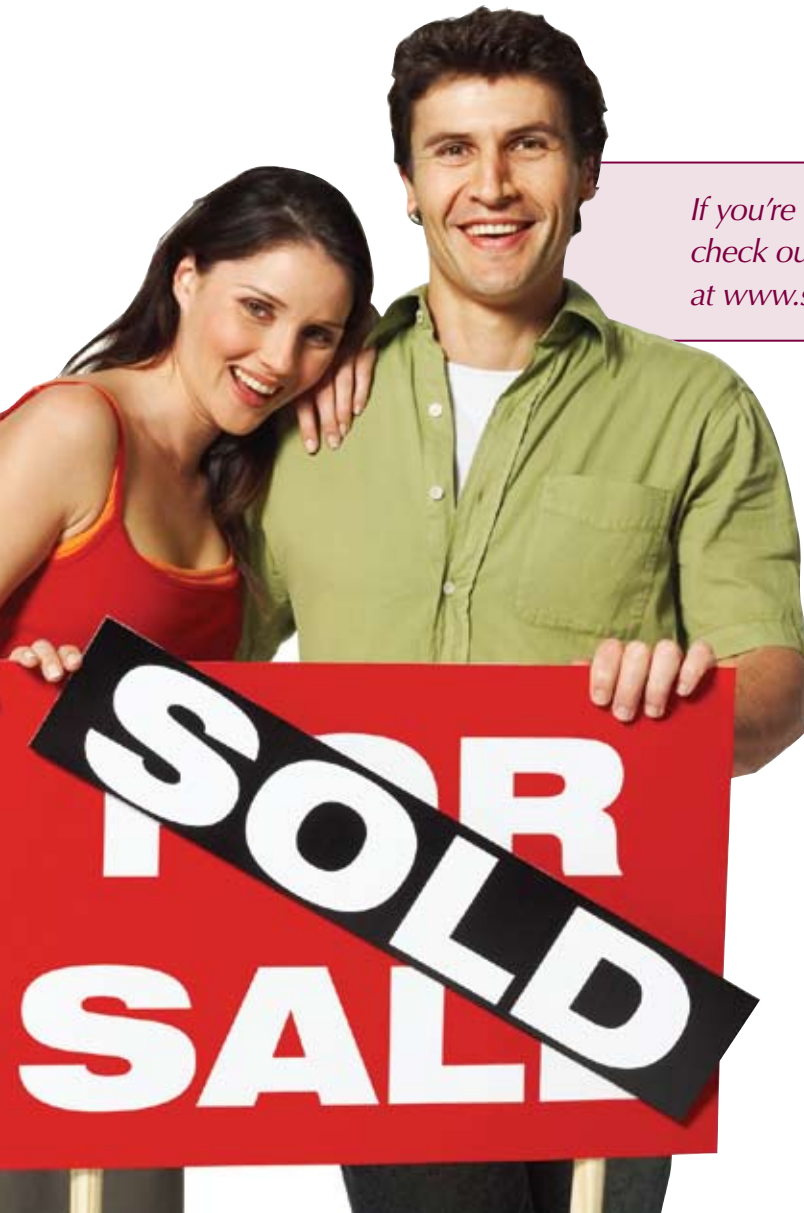
MEETING ELIGIBILITY REQUIREMENTS

To be eligible for the exclusion, the home must be your principal residence. You must have owned and lived in the home for at least two years during the five years prior to the sale. There is no limit to the number of times you can take the capital gains exclusion as long as it is on a principal residence, you meet the usage tests and you have not sold another home and taken an exclusion on it less than two years before the current sale.

The IRS generally allows married couples to take the full exclusion as long as one spouse meets the ownership test and both spouses meet the use test. However, if either spouse took an exclusion on another home within the two-year period, the \$500,000 exclusion would not apply.

If you must sell your home before meeting the usage tests, the Internal Revenue Service (IRS) may allow a partial exclusion if the home is sold under "unforeseen circumstances." These circumstances may include, but aren't limited to, health problems, divorce and certain job changes. In addition, members of the U.S. Armed Services, Foreign Service or the intelligence community may be able to suspend the five-year test period in certain situations.

If you're in the market for a new home, be sure to check out our competitive mortgage rates and terms at www.sactocu.org or call (916) 444-6070.



WIDOWS AND WIDOWERS GET A BREAK

Prior to this year, a widowed individual could claim the full \$500,000 exclusion on a home sale only during the tax year of the deceased spouse's death. Effective for sales on or after Jan. 1, 2008, a new tax law allows widows and widowers who have not remarried to claim the full \$500,000 exclusion, as long as the home sale occurs no later than two years after the death of the spouse.

In any case, surviving spouses continue to benefit from a step-up in basis for the deceased spouse's share of a jointly owned home.

ASK THE EXPERTS

The rules for excluding capital gains can be complex, especially in the case of remarriage or joint home ownership by nonspouses. See IRS Publication 523, "Selling Your Home," available at www.irs.gov, to learn more, and be sure to consult a tax advisor for answers to your specific questions.

Note that neither this financial institution nor any of its affiliates give tax advice. Consult a tax advisor for information in your situation.

Finding the Best Deal So Many 529 College Savings Plans, So Little Time

Whether your child is in the driver's seat or still in diapers, you're ahead of the game if you're saving – or planning to save – for college. More than one in five parents save nothing, and the average parent of a child expected to go to college saves only one-tenth of anticipated costs.*



Most parents place high value on a college education. Yet many don't save because they overestimate costs and feel powerless to ever save enough. In reality, some college price tags soar to \$30,000 a year, but most are more affordable than you might think. More than half of students at four-year schools pay less than \$9,000 for tuition and fees annually.**

You don't have to know whether your child is headed to Harvard or a public in-state school before you start a 529 College Savings Plan. Just know that the money you invest now can grow into the opportunity for your child to pursue many different choices.

IN STATE OR OUT?

A 529 plan is a state-run tax-advantaged investment account. Your earnings grow income-tax deferred, and the money is also free from federal income tax when it's used to pay for qualified higher education expenses.***

You can contribute to your state's 529 plan, but there are 49 others out there for the picking. Who's to say your state has the best 529 plan? Figure in the following to find the best deal:

1. Fees: A high rate of return looks good until administrative and management fees take a bite. For example, a \$25 annual account fee may not sound like much. But figure in 1.5% in total annual asset-based fees, and then compare to a plan that charges a \$10 annual account fee and 0.9% in annual asset-based fees. The latter leaves more money in your account that will compound over the years.

2. Diversify: Like your other investments, you need the right mix between asset classes. If a plan is domestic large-cap heavy, your return may miss small-cap and international market peaks.

3. Time horizon: Similar to your retirement time horizon, your 529 funds shouldn't be too volatile – even if they're higher returning – if your child is close to college. A sensible asset allocation may include bonds.

4. Good management: Low-priced funds are important, but who's managing the fund? The best 529 managers are the best managers in other markets as well.

5. Tax advantages: About half of states offer residents state income-tax deductions for in-state 529 contributions. For example, Ohio's annual state income tax deduction is up to \$2,000 for each child. And rolling a refund back into a 529 can make your child's college fund grow faster.

START NOW

It's hard to get motivated to save if you aren't confident you'll save enough. Just remember, the earlier you start, the more your money can grow. An investment professional at SCU Investment Services can help you explore 529 options. Call (916) 444-8599, ext. 3112.

* Source: "Upromise College Preparedness Report Card Reveals U.S. Parents and Teens Significantly Overestimate the Cost of College," Upromise, September 2007.

** Source: "Keep Rising Prices in Perspective," College Board. 2007-2008.

*** Withdrawals for nonqualified expenses are subject to income tax and a 10% tax penalty.

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Debit and Credit Cards – What's the Difference?



Lillian has finished her grocery shopping and is about to pay for her items. There's a line of anxious customers behind her. She doesn't carry a lot of cash, so she pulls two cards from her purse – a debit card and a credit card. She recently received a free debit card with her senior checking account, but doesn't know how to use it. Is it the same as a credit card?

This is a common scenario faced by many seniors. Since debit and credit cards often look alike, it can be difficult to tell the difference.

Both cards have unique qualities that can benefit the cardholder in various ways.

THE MERITS OF DEBIT AND CREDIT

Here are the main differences between the two cards:

A debit card is like writing a check. When used to make purchases, the amount is automatically deducted from your checking account. Just as if you were writing a check, you need to know



Easy Ways Sacramento Credit Union Helps You Go Green

You don't have to live in a tree to appreciate the value of "going green." When you practice green habits at home and in the workplace, you can make a difference by helping protect the environment for years to come. Sacramento Credit Union supports the cause by offering convenient and cost-saving ways to save energy and fuel and limit paper waste – creating a healthier, happier planet.

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www.sactocu.org

Home Loans

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 (916) 441-LOAN

SCU Investment Services

(916) 444-8599, ext. 3112

Personal Auto Shopper Autoland

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Open Accounts Online. Sacramento Credit Union has added a new, convenient service to its online arsenal. Now you can open and fund accounts online in minutes – checking, savings and even certificate accounts – save gas and energy by not making a trip to the credit union.

Visit www.sactocu.org today and see "Open an Account Online in Minutes!"



Visit www.sactocu.org today and open an account, sign-up to receive e-Statements, switch to online statements and register to use BillPay. It's easy, and you can feel good about taking steps toward saving the environment.

Debit and Credit Cards – What's the Difference? ... continued from page 3

how much money you have to work with. If you spend more than you have in your account, you could overdraw it (if you were writing a check, it would be called a "bounced check") and may have to pay a fee. Keeping a written record of your spending in your check register can help you avoid this situation.

A credit card can also be used to conduct transactions, but unlike a debit card, you're "borrowing" the money. It will need to be paid back with interest, according to the terms of the card. If you're careful about

paying your bills on time, a credit card can be a worthwhile spending tool.

WHICH DO I CHOOSE?

Using a card is less time-consuming than carrying and counting cash or writing a check. Sacramento Credit Union gives you many financial choices. Depending on your spending habits, you may wish to have both a debit and credit card, or you may prefer one over the other. To apply for a credit or debit card or to learn more, stop by a branch or call us at (916) 444-6070.