

# Dollars and Sense

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## Keep More Of What You Earn With Tax-Exempt Bonds

By Carmen Johnson, Financial Consultant through XCU Capital Corporation, Inc.



Looking for ways to minimize investment taxes? Consider a municipal bond ("muni"), an attractive choice for tax-conscious investors.

### What are municipal bonds?

Munis are bonds issued by federal, state, and local governments to raise funds for large public projects like roads,

hospitals, and schools. Both parties benefit: the government gets to borrow money at a lower rate while investors get tax-exempt interest. Terms can range broadly from as few as several months to many decades.

### How can munis help save on taxes?

Interest generated by munis is free from federal income taxes\* and, if you live in the state where the bond was issued, the interest can be exempt from state taxes as well. If you live in a high-tax state, or if your county or city levies an income tax, the double- or triple-tax-free benefit can increase your "net" return. Since the interest paid by munis is lower than some taxable bonds, ask your financial consultant to calculate the bond's return, or tax equivalent yield.



### What are the other benefits to investing in tax-exempt bonds?

For some people, purchasing municipal bonds shows support for certain governmental projects or efforts. Bonds also tend to be more stable than stocks and are generally considered a sound investment. However, since the issuer's credit worthiness is a key investment factor, bonds are rated for default risk. A higher bond rating might offer less interest, while riskier choices entice investors with a higher rate.

Munis and other bonds can be an important part of a comprehensive investment portfolio. Consult your financial consultant to discover how they can impact your retirement income and tax liability.

## The Hidden Investment Value of a Home Equity Line of Credit

By Hansen Champlin, Financial Consultant through XCU Capital Corporation, Inc.



A Home Equity Line of Credit (HELOC) allows you to access the equity in your home. Funds drawn from a HELOC can be used for just about anything, such as home improvements, higher education, or even dream vacations. As an added benefit, in many instances the interest paid on a HELOC may be tax deductible.

But a HELOC can also be an important part of your overall investment strategy. Many financial consultants recommend keeping at least six to nine months living expenses on hand in case of job loss or medical emergencies. Instead of stashing cash in a low-interest rate account, consider opening a HELOC. This revolving line of credit lets you borrow only what you need, if you need it. By design, your HELOC funds are always available, but no interest is charged until you access the funds. The cash you've set aside for emergencies can then go into

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## Definition: Bond Rating

Assessment of how well a bond issuer can repay principal and interest when due. Two highly regarded rating companies, Standard & Poor's and Moody's, use a letter system to grade issuers.

## The Powerful Potential of Variable Annuities

By Sami Farag, Financial Consultant through XCU Capital Corporation, Inc.



Variable annuities can be an attractive investment vehicle to help build your retirement portfolio. They provide the potential for tax-deferred growth and an opportunity to participate in the market through a selection of professionally managed portfolios. Once you retire, your annuity can help create a reliable stream of retirement income for you, your spouse, or your heirs.

A variable annuity offers tax-deferred growth potential with a wide range of investment choices. You can:

- Make tax-deferred investments beyond 401(k)s and IRAs.
- Invest as much and as often as you want thanks to no IRS contribution limits.
- Provide for your spouse and beneficiaries.
- Receive guaranteed returns through fixed investment options.



In addition, variable annuities allow you to:

- Reallocate assets tax-free among a selection of investment choices as your needs or market conditions change.
- Tailor a plan to your risk tolerance and retirement expectations.

- Protect your investment for loved ones through death benefits.
- Establish a dependable source of retirement income over a set period of time or for life.

Because variable annuities focus on growth through market performance, they are generally best suited to investors who are seeking growth and in higher tax brackets. However, with benefits that include periodic payments that last beyond your lifetime, death benefits to ensure income for your heirs, and the potential for tax-deferred growth, you should certainly consider variable annuities for your portfolio once maximum allowable contributions have been made to your 401(k) and IRAs.

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longer-term investments with higher earning potential. And knowing that you can access cash at any time may help you feel more comfortable with higher earning investment choices. Even better, if you ever do need to use your HELOC funds, you'll enjoy rates usually lower than most credit cards.



The best time to open a HELOC is now, before you need it. It's easier to qualify if employed, so applying before retirement or a job change may ease the application process. Keep in mind that solid financial planning means making many good, small decisions over time. Having a HELOC available for emergencies plays a small but important part in your investment strategy and accumulation of wealth.



**Our door is always open for you to stop by and learn how we can serve your individual financial and investment needs. Please contact us to set up an appointment.**

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\*Interest on tax-free bonds may be subject to alternative minimum tax. Please consult your tax consultant for more information.

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