

The Chalk BOARD

January '09

CEO'S CORNER



The Board, Management and Staff would like to send our best wishes for a safe, prosperous and above all healthy New Year. As you have been reading 2008 has been a very busy year for your credit union. With the dislocation in the financial services industry, those

banks and investment firms that have played a major role in the U.S. economy are no longer around. Who would have believed that Bear Stearns, Wachovia, Washington Mutual, Merrill Lynch and Lehman Brothers would go out of business in 2008! Not to mention the failure of AIG, Fannie Mae and Freddie Mac and Indy Mac.

Your credit union experienced continued growth in most areas of their operation. There has been substantial growth in our loan portfolio and reduction in our operating expenses while paying out record dividends on deposits. Special mention should be made for your volunteer Board of Directors who have worked tirelessly over the past six years in formulating a vision of safety and soundness that has kept STCU Credit Union a premier leader in the Pioneer Valley.

Personal attention and people before profit that was our guiding direction in 1929, some 80 years ago, still rings true in 2009. Your credit union stands by those principals and will continue to direct our resources in providing financial products that meet the needs of the community while being competitively priced.

In today's environment of Bernie Madoffs, and scams uncovered daily it is reassuring to know that you have a credit union that is federally insured with a commitment to serve you as a member owner and not an account number.

The New Year has many challenges ahead with the continuing recession, possibly the deepest since

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The Five Building Blocks of Retirement Savings

According to the U.S. Department of Labor, the average American spends 18 years in retirement. And only 42 percent of Americans have calculated how much money they will need to save for it. While the prospect of saving enough money to fund a retirement may seem daunting, especially when economic times are tough, the reality is the sooner you start, the better off you will be.

Most people look to five major sources to fund their retirement: pension or profit sharing plans, tax-sheltered plans, Individual Retirement Accounts, Social Security and personal savings. In order to assess the state of your retirement plan, you need to consider all five.

Pension or Profit Sharing Plans

Many employers offer pension or profit sharing plans to their employees. If you don't know what your plan offers or how much your benefit will be worth upon retirement, ask your employer. If you are thinking about getting a job with a different employer, be sure to find out what will happen to your current pension or profit sharing benefits as a result.

Tax Sheltered Plans

If your employer offers a tax-sheltered savings plan, such as a 401(k), sign up and contribute all you can. There are two potential benefits to doing so: your taxes will be lower and in many cases, your company may kick in matching funds that will significantly accelerate your savings. Over time, compound interest and tax deferrals can also make a big difference in the amount you will accumulate.

Individual Retirement Accounts

Most taxpayers can put up to \$4,000 a year into an Individual Retirement Account (IRA) and gain tax advantages. The tax treatment of your contributions and withdrawals will depend on what kind of plan you have (traditional IRA, Roth IRA, SEP IRA, etc.). Ask your financial advisor or visit www.IRS.gov to see what plan may be best for you. Remember, making an early withdrawal from your IRA can be very costly. In most cases, you'll lose principal and interest, and you may lose tax benefits. If you change jobs, you also need to roll over your savings directly into an IRA or your new employer's retirement plan to avoid the same issues.

Social Security

Social Security pays the average retiree about 40 percent of their preretirement earnings. If the Social Security Administration has not recently mailed you a statement showing your lifetime contributions and projected benefits, call them at (800) 772-1213 to request one. You can also find out more about your benefits at www.socialsecurity.gov.

Personal Savings

While accumulating personal savings does not offer the tax benefits of Tax Sheltered Plans or IRAs, a nest egg of cash can help ease the burden of funding your retirement entirely through other means and can help buy you time before you need to start tapping into those other sources of retirement income. Just putting a little away each pay period can really add up.

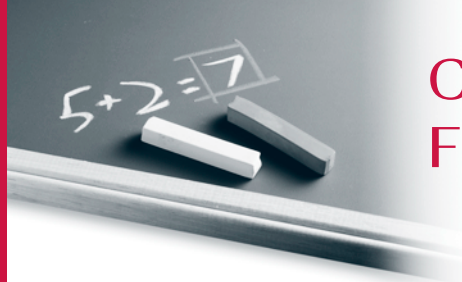
Start Getting Ready Now to File Your Taxes

Although most of us know it happens every year in April, many of us don't think to prepare for filing our tax return. We tend to put it off and put it off until April 15 is right around the corner. But you should be keeping taxes in mind all year long, and keep careful records stored in a safe place. That way they'll be there when it comes time to prepare your tax return.

Whether you do it yourself or use the services of a tax professional, here are some suggestions regarding the records that you should be setting aside all year round.

- Gather and keep together all papers related to any investments you have made, particularly buys and sells of stocks made in 2008. This includes not only brokerage statements, but also individual buy and sell confirmations for each security.
- Collect records of contributions you've made to IRAs and other retirement plans, including a Roth IRA, just for the reference. These are not taxed.
- Did you make improvements on your home? Keep those records handy.
- If you make donations to charitable organizations, organize those records, too.
- Don't forget property tax information, including your vehicles and mortgage, as well as your home equity loan and interest or dividends earned on savings.
- Watch for and keep together your W-2 forms from employers.

Keeping these records together will make it a little easier for you when you sit down to prepare your tax returns. Of course, if you wind up having to pay, that's not much consolation. Sorry.



NCUA Protection Increased to \$250,000

Higher protection threshold established for credit union members through 2009

Today's turbulent economy has many people questioning whether their money is in safe hands. In response to this and other concerns, the federal government recently increased the coverage provided for individual account holders from \$100,000 to \$250,000 through December 31, 2009.

Who provides the coverage?

The National Credit Union Administration (NCUA) is the federal agency that administers the National Credit Union Share Insurance Fund (NCUSIF). The NCUSIF, like the FDIC's Deposit Insurance Fund, is a federal insurance fund backed by the full faith and credit of the U.S. Government.

The NCUSIF insures member savings in federally insured credit unions (which account for approximately 98 percent of all credit unions). All federal credit unions and the vast majority of state-chartered credit unions are covered by NCUSIF insurance protection.

Credit unions that are insured by NCUSIF must prominently display the official NCUA insurance sign. No credit union may terminate its federal insurance without first notifying its members.

Not one penny of insured savings has ever been lost by a member of a federally insured credit union

As a member of a federally insured credit union, you do not pay directly for your share insurance protection. Your credit union places a deposit into the NCUSIF and pays an insurance assessment based on the total amount of insured shares and deposits in the credit union. Federally insured credit unions are required to deposit and maintain one percent of their insured shares and deposits in the NCUSIF.

How the coverage works

Share accounts in federally insured credit unions are insured up to the Standard Maximum Share Insurance Amount (SMSIA), \$250,000 as of October 3, 2008. The Emergency Economic Stabilization Act of 2008 increased the insurance coverage on all accounts up to \$250,000 until December 31, 2009.

Joint account holders are insured up to \$250,000 per joint account holder, per

federally insured credit union. For example, an account with two joint account holders is insured for \$500,000 separately from the holders' individual accounts. This includes principal and posted dividends. IRA and KEOGH accounts are insured, separately from other accounts, up to \$250,000 per institution, including principal and posted dividends.

You may obtain additional separate coverage on multiple accounts, but only if you have different ownership interests or rights in different types of accounts and you properly complete account forms and applications. For example, if you have a regular share account and an Individual Retirement Account (IRA) at the same credit union, the regular share account is insured up to \$250,000 and the IRA is separately insured up to \$250,000. However, if you have a regular share account, a share certificate, and a share draft account, all in your own name, you will not have additional coverage. Those accounts will be added together and insured up to \$250,000 as your individual account.

Coverage is just part of your protection

Keep in mind that in addition to savings protection, the federal insurance fund has several programs to help insured credit unions which may be experiencing problems. The liquidation or failure of a financial institution is always the last resort. If a federally insured credit union does fail; however, the NCUSIF will make any necessary payouts to the credit union's members. These payouts are usually done within 3 days from the time the credit union closes its doors.

If you have any questions regarding NCUSIF insurance protection and whether your assets are covered, please stop by your local branch or visit <http://www.ncua.gov/ShareInsurance/index.htm> to access NCUA's Share Insurance Tool Kit. You'll find a share insurance estimator tool designed to help you estimate your insurance coverage.



This credit union is federally insured by the National Credit Union Administration

