



A Publication for members of Northrop Grumman Federal Credit Union



IRAs Save on Taxes Today – Add to Comforts Later

There's big news in Individual Retirement Accounts in 2002—reflecting a renewed focus on encouraging Americans to save for retirement. For the first time in 20 years, the maximum contributions to IRA accounts have increased. That means more tax savings today and more money to support your lifestyle when you're ready to retire.

Contribution limits to traditional and Roth IRA accounts increase by 50 percent and more than that for people age 50 and over.

Here's how your potential contributions stack up:

2002-2004

Contribute up to \$3,000 per eligible individual. If you're 50 or over, you can contribute up to \$500 more than that.

2005

Contribute up to \$4,000 per eligible individual. If you're 50 or over, you can contribute up to \$500 more than that.

2006-2007

Contribute up to \$4,000 per eligible individual. If you're 50 or over, you can contribute up to \$1,000 more than that.

2008

Contribute up to \$5,000 per eligible individual. If you're 50 or over, you can contribute up to \$1,000 more than that.

The rules on whether a contribution to a traditional IRA is tax deductible do not change. Your modified adjusted gross income also continues to affect eligibility to contribute to a Roth IRA.

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Win, Win, Win With A Manufacturer's Rebate!

In place of the zero percent financing offered by many dealers to a very select group of auto buyers, General Motors is now offering rebates on the purchase of a new car or truck. This is a favorable trend for Northrop Grumman Federal Credit Union members. You can take advantage of the manufacturer's rebate and get generously discounted Credit Union auto loan rates, too.

Starting with the manufacturer's rebate and an NGFCU loan, you can save even more with a 1% discount on our already low rates by signing up for 5 other selected Credit Union products and services.

Arming yourself with an NGFCU auto loan pre-approval will give you added power to negotiate the best deal on your new or used car. It's simple. Call a loan representative at 800-633-2848 anytime to start your application. No need to come to a Credit Union branch for an auto loan; the entire process can be handled by phone and fax. See page 7 for rates as of the publication date of this *Contact* newsletter.

Compounding the benefits of a manufacturer's rebate with low Credit Union auto loan rates, a generous rate discount and a pre-approved auto loan, you stand to win, win, win!★

New Tax Credit

New this year is a tax credit for low and middle-income people who save in an IRA or other eligible retirement savings plan. A non-refundable tax credit on the first \$2,000 saved will be available to some taxpayers, with the amount based on modified adjusted gross income (MAGI). Please see the chart on this page for information on eligibility for a tax credit on 2002 IRA contributions.

IRAs at Your Credit Union

Remember that you pay no trustee fee at the Credit Union, so all the dividends stay working for you.

January 2002 is the right time to increase or begin a regular contribution to an IRA accumulation account at Northrop Grumman FCU. You begin earning dividends as soon as your account reaches \$100. When you have at least \$2,000 in the account, you can increase your earnings by opening a term account for a higher guaranteed dividend. But keep on saving for tax year 2002 because your contribution limit is \$3,000 per individual, or \$6,000 for a married couple filing jointly.

If you want to make an IRA contribution for tax year 2001, remember that you have until April 15 to do it. Generally, the maximum contribution is \$2,000 per individual, \$4,000 for a married couple filing jointly.

Primer on IRA Saving

Following is a brief summary about saving in IRAs. References to tax deductibility or tax-free are for information only; please ask your tax advisor for guidance.

Traditional IRA - Your contribution is deductible, partially deductible or not deductible on your federal tax return in the year it is made, depending on your modified adjusted gross income and whether you participate in an employer-sponsored retirement plan. However, in all cases, taxes on the dividends deposits earn are deferred until distributions are made, usually after the contributor reaches age 59½. Distributions before age 59½ may be subject to a 10% tax penalty, but the penalty is waived in certain cases even on these early distributions.

Roth IRA - Eligibility to make contributions to a Roth IRA depends on your modified adjusted gross income. The contribution to a Roth IRA is never tax deductible. You save on taxes when you begin to use the money because you pay no federal tax on any of the distributions from this account (contributions plus dividends), generally after the age of 59½. There are also special circumstances in which you are eligible to take penalty-free or tax-free distributions at an earlier age, such as when you buy a first home or if you become disabled. Please consult a tax advisor for more information.★

MoneyMaster

Ready When You Need It

Your Credit Union's MoneyMaster Line of Credit is a convenient and economical way to peace of mind that you'll have quick access to money when you need it.

It's free to apply for this line and you'll pay nothing until you take money out. With no fee when you take an advance, the MoneyMaster is a quick and easy source of extra funds. The maximum line of credit is \$25,000.

Monthly payments can be made conveniently by automatic transfer from one of your other Credit Union accounts. And there is no pre-payment penalty if you pay off your advance early.

Money Waiting For You-Anytime

Accessing your MoneyMaster Line of Credit couldn't be easier. Request an advance at a Credit Union branch or over the phone, use Call 24, or use a convenience check. When you designate MoneyMaster as overdraft protection on your Credit Union Share Draft account, you gain even more convenience. If you write a check for more than you have in your account, funds will automatically transfer so the check will be covered, alleviating the expense and embarrassment of an overdraft.

Making this financial tool yours is simple. Call 800-633-2848 at any time to start the ball rolling. You will answer some questions and can finish up the application by mail or fax. Very soon after that, you'll know there's money waiting for you—anytime.★

Credit on Your Federal Taxes for IRA Saving				
	Married, Filing Jointly	Head of Household	Others	Federal Tax Credit on Up To \$2,000 Saved
Modified Adjusted Gross Income	up to \$30,000	up to \$22,500	up to \$15,000	50%
	\$30,001 - \$32,500	\$22,501 - \$24,375	\$15,001 - \$16,250	20%
	\$32,501 - \$50,000	\$24,376 - \$37,500	\$16,251 - \$25,000	10%
	\$50,001+	\$37,501+	\$25,001+	No credit but tax deduction may be available

Think 80-10-10 For Your First Home



Would-be first-time buyers have been watching home prices shoot up for years in many parts of the U.S. but now this pricing spike seems to be flattening out and investing in a new home will be affordable to more people. To help first-time home buyers especially, Northrop Grumman FCU has begun offering 80-10-10 mortgage/first trust deed loans.

The 80-10-10 real estate loan is for a buyer who has between 10 and 19 percent of the home's price to use as a down payment. Normally, when lending more than 80% of a home's value, the lender requires that a borrower purchase private mortgage insurance (PMI) and maintain that insurance until the borrower has at least 20% equity in the home.

With the 80-10-10 plan, a Credit Union member can borrow up to 10% of the home's value on a Home Equity Line of Credit (HELOC). The member adds the HELOC funds to the down payment money they already have, puts 20% down and takes a conventional mortgage/first trust deed loan to cover 80% of the home's cost.

One major advantage to this type of program is that the interest on a HELOC is usually tax-deductible (ask your tax advisor) while the premiums on PMI are not. And to make this even more attractive, the variable rate on a HELOC from Northrop Grumman FCU hit 5.5% in January. Even without the tax advantage, this new choice may be very cost effective for you.

While this type of loan program is often a major advantage to first-time buyers, a family moving up into a new and better home might also benefit from the 80-10-10 plan.

And remember that even if you're crazy about where you live and don't plan to move for decades, this plan might be just right for a member of your family. Your immediate family members, including your children, parents, brothers, sisters, grandparents, grandchildren, stepchildren, stepbrothers and stepsisters, and your parents-in-law, are eligible to join your Credit Union and take advantage of all the benefits of membership.

For more information please visit us on the web at www.norgrumfcu.org or call 800-633-2848 (Monday - Friday, 7 a.m.-6 p.m. Pacific).★



Telemarketers Use Security Concerns to Allegedly Dupe Cardholders

The Federal Trade Commission and the Royal Canadian Mounted Police recently uncovered a scam involving more than a dozen companies accused of unlawfully coercing credit and ATM/check card holders into paying \$199 for each of their cards for unnecessary fraud protection.

According to Card Alert Services (CAS), alleged security providers call cardholders and claim or imply that they are connected with card issuers. They then pressure cardholders to purchase additional card security or fraud insurance. In many instances, the telemarketers warned consumers they would be liable for future fraudulent charges or implied they owed money for security services already in place.

Elderly cardholders appear to be most vulnerable to this scam as telemarketers apparently believe them to be easily coerced and intimidated into agreeing to pay for fraud protection. According to CAS, when a card issuer called an alleged fraud protection company representative to inquire about its services on behalf of a cardholder, the representative immediately asked if the cardholder was elderly, saying she was "probably just confused."



You Have Zero Liability

As with most of these types of incidents, educating consumers about possible scams is an effective weapon to combat them. Holders of the Northrop Grumman FCU MasterCard or Visa ATM/Check Card need to know they should be wary of card service enhancements offered by any company. You already have zero liability for fraudulent charges or debits on your Northrop Grumman FCU cards at no cost to you.

We are not aware of any phony protection service targeting Northrop Grumman FCU members but if a telemarketer should call you, ask for their name, company name and location, return phone number and supervisor name. If a telemarketer is reluctant to give this information, the call could be fraudulent.

Potential scams should be reported to the FTC toll-free help line at 877-FTC-HELP (382-4357).★

Thank you to Star Systems for permission to reprint large portions of this article from their "Transaction Times" newsletter.



Tax Time Again

Kash Chandani & Co., CPAs, provides discounted rates to Northrop Grumman Federal Credit Union members on preparation of tax returns. The preparation of a federal income tax return begins at \$79, with free electronic filing. The company also prepares state tax returns, where applicable. To learn more, call 800-537-7447 (800-LESS-4-IRS), email kashchandani@msn.com, or visit their web site at www.less4irs.net/services.html

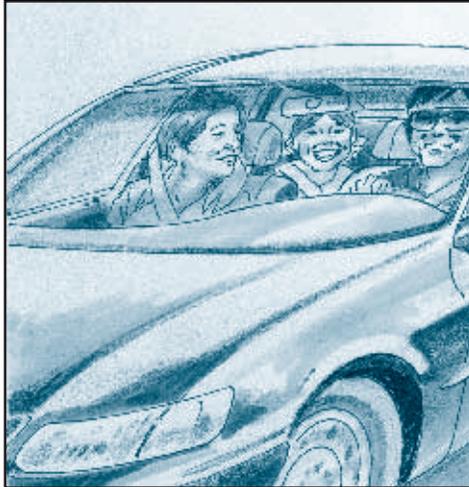
Flight Plan Financial Services, Inc.

Flight Plan, a wholly owned subsidiary of Northrop Grumman Federal Credit Union, offers a variety of products and services to Credit Union members, Northrop Grumman employees, retirees, and their families through several outside providers.



Brokerage & Investment

Brokerage and investment services and life insurance are offered through professional investment advisors of Linsco/Private Ledger (LPL)*, a registered broker/dealer and member of the National Association of Securities Dealers (NASD) and Security Investor Protection Corporation (SIPC). Mutual funds, annuities and other investments are available through LPL's registered investment advisors: The Gensler Group in California and the western United States and the offices of Margie Kosmerl and Karen Porter in the Maryland/Virginia area and the eastern United States. *For more information or a no-cost, no-obligation consultation, call the LPL offices of The Gensler Group at 800-200-1121 or the offices of Margie Kosmerl and Karen Porter at 800-552-2361.*



Auto/Home Insurance

Members in California, Arizona, Nevada, and Utah are invited to ask for a quote from Civil Service Employees Insurance (CSE Insurance) home and auto insurance. Besides being eligible for group rates through Flight Plan, members may qualify for discounts for multiple policies, good driver, good student, and senior driver, as well as other specialized discounts. For a no-obligation quote, simply call 888-CSE-1220.



Dental Coverage

Flight Plan, through its subsidiary, The Dental Service Center, offers two dental plan options that reduce annual out-of-pocket expenses for routine and emergency dental services. For more information call 888-293-4903.

Long-Term Care Insurance

Although the umbrella of an employer's group insurance is normally sufficient to cover current medical needs, they do not cover every need or situation. An individual Long Term Care policy with CAN Insurance can help fill the gaps. If you are an active Northrop Grumman employee, this coverage is offered on a "guarantee-issue" basis. Long-Term Care Insurance coverage is an important element to consider as you plan for your future. For more information call our plan administrator at 888-287-8810.



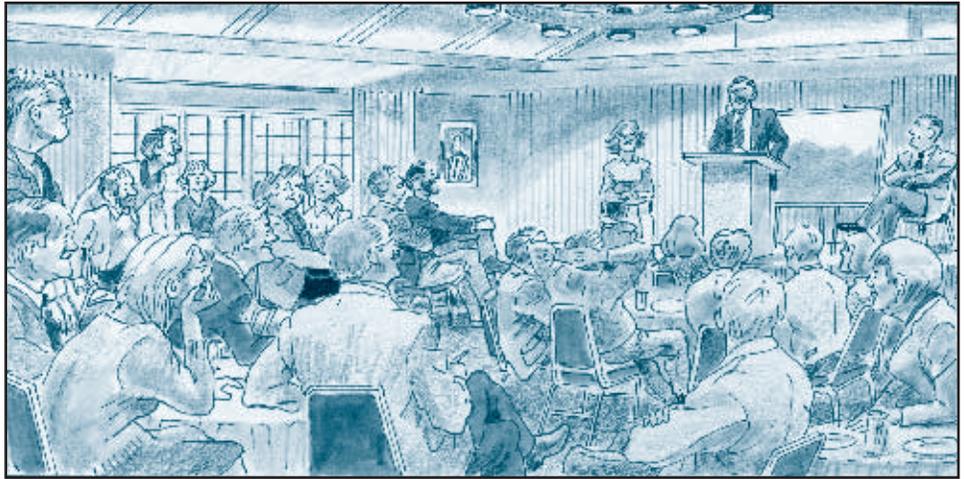
Medicare Supplement Insurance

Medicare was never designed to pay all health care costs and many retirees find themselves paying a good portion of those costs. With deductibles, co-payments and other out-of-pocket costs always increasing, a Medicare Supplement is more important today than ever. Flight Plan has leveraged the buying power of 30,000+ Northrop Grumman retirees to provide a special Medicare Supplement Insurance Plan. For more information call 800-749-6983.★

**Mutual funds, annuities and other investments available through Linsco/Private Ledger are not deposits in Northrop Grumman FCU, are not insured by the NCUSIF, nor are they obligations of, or guaranteed by Northrop Grumman FCU. Such investments may fluctuate in value and are subject to investment risks, including loss of some or all of the principal.*

Northrop Grumman people helped build a company; continue to provide their strength to the Credit Union

Northrop Grumman Corporation and Northrop Grumman Federal Credit Union have benefited together from the investment of time, work and money from more than 30,000 Northrop Grumman retirees nationwide. In fact, most retirees continue their membership at the Credit Union long after they've stopped reporting for work every day. Northrop Grumman Retirement Club president Gerry Mathiason recently asked the Credit Union to pass along information about the Club so people who want to stay connected with others who share their Northrop Grumman background can find their closest chapter.



Northrop Grumman Retirement Club Chapters

Location	President	Phone
Hawthorne	Gerry Mathiason	310-542-8153
Anaheim	Maury Thews	714-828-0258
Antelope Valley	Chet Piolatto	661-285-8235
Calif. Central Coast	Ed Bonge	805-937-4843
Conejo Valley	Mike Novak	805-484-3442
Hemet	Rosalie Moyer	909-925-1214
Illinois	Barbara Bennett	847-259-9064
New England	Jim Hindman	508-339-4214
No. San Diego	Jean Brauns	760-727-6885
So. Orange County	Betty Langford	949-498-3317
Temecula Valley	Neal McKenzie	909-676-7520

Retirement Clubs Are Your Link To The Credit Union

If you have an active Northrop Grumman retiree meeting at a location not listed, please contact Jim Barnfather, vice president, Northrop Grumman Federal Credit Union Corporate Business Development, at 800-633-2848 x4897 so we can include your location in future listings.★

Flight Plan Financial Services, Inc.

A wholly-owned subsidiary of Northrop Grumman Federal Credit Union

YES, I am interested in learning more about securing my own financial future.

Please send me information on the following:

- | | | |
|--|--|--|
| <input type="checkbox"/> Retirement Planning | <input type="checkbox"/> Reducing Taxes | <input type="checkbox"/> Life Insurance |
| <input type="checkbox"/> IRA Rollovers | <input type="checkbox"/> Mutual Funds | <input type="checkbox"/> Auto/Property Insurance |
| <input type="checkbox"/> Long-Term Care | <input type="checkbox"/> College Funding | <input type="checkbox"/> Savings and Investment Plan 401(k) |
| <input type="checkbox"/> Medicare Supplement | <input type="checkbox"/> Dental Plans | <small>* Securities are offered through LINSICO/PRIVATE LEDGER,
Member NASD/SIPC</small> |

Send your request to FPFS, Box 866, Hawthorne, CA 90251

Name _____ Phone Number _____

Address _____

City _____ State _____ ZIP _____

I would like to discuss my choices with FPFS. Please call me at: _____

Problems? Inquiries?

The Supervisory Committee is charged with the responsibility of continually reviewing the operation of the Credit Union to ensure that it is operating in the best interest of its members. Any questions, suggestions or inquiries should be directed to:

Chairman, Supervisory Committee
Northrop Grumman
Federal Credit Union
P.O. Box 3382
Gardena, CA 90247-7082

Important Telephone Numbers

Credit Union (310) 808-4000
Outside 213 or 310 (800) 633-2848
Eastern Region (800) 634-7075
CALL 24, 24-Hour
Touch-Tone Transactions (310) 327-0682
Outside 213 or 310 (800) 676-3328
To report a lost or stolen
credit union MasterCard (800) 453-4270
CO-OP Network ATM Locations (888) SITECOOP
CU Service Center Locations (888) 287-9475

Credit Union Rates

The following is a sampling of most recent rates at time of publication. Please call for other rates and terms. Rates subject to change.

SAVINGS RATES

ACCOUNT	MIN. BAL.	APY*	
Money Market	\$2,500	2.12%	Lower rates apply if balance falls below the minimum shown
6-Month Term	\$5,000	2.14%	A penalty may be imposed for early withdrawal
1-Year Term	\$5,000	2.20%	
2-Year Term	\$5,000	2.90%	
30-Month Term	\$5,000	3.17%	Rates change weekly
3-Year Term	\$5,000	3.43%	
4-Year Term	\$5,000	3.85%	Call for current rates
5-Year Term	\$5,000	4.27%	

A .25% bonus dividend will be applied to all term accounts \$40,000 & over

LOAN RATES

New & Used Vehicles	Variable Rate	Fixed Rate	Fixed Rate	Fixed Rate
Loan Value	Up to 6 yr.	4yr.	5yr.	6 yr.
80%	5.75%	6.25%	6.50%	6.75%
90%	6.25%	6.75%	7.00%	7.25%
100%	6.75%	7.25%	7.50%	7.75%

Auto Loan Rates may be discounted up to 1%. Call for details.

MasterCard MoneyMaster

Variable	11.50% APR	11.00% APR
Fixed	15.75% APR	16.00% APR

Loan limits of \$500 to \$25,000, no annual fee. Total of MasterCard and MoneyMaster Line of Credit may not exceed \$25,000.

Real Estate Loans

Mortgage/First Trust Deed Loan

Think about your Credit Union first when financing the purchase of a home or refinancing. Conventional, jumbo, VA and FHA loans available. Call (800) 633-2848 (Monday-Friday, 7 a.m. - 6 p.m. Pacific) for information and the latest rates.

Home Equity Line of Credit - 5.50% APR Variable Rate

This credit line secured by the equity in your home provides fast access to funds for any purpose. The Credit Union pays a \$650 allowance toward origination fees. Borrow up to 90% of Appraised Value of your primary residence minus balance on mortgage/first trust deed. \$100,000 maximum credit line. Up to 15 years to repay.

*APY - Annual Percentage Yield APR - Annual Percentage Rate

www.norgrumfcu.org

To: Northrop Grumman Federal Credit Union
Attn: Service Group

YES, I WANT TO KNOW MORE. PLEASE SEND ME:

- | | |
|--|---|
| <input type="checkbox"/> B-2 Image/Gold MasterCard application | <input type="checkbox"/> CALL 24 application |
| <input type="checkbox"/> Mortgage/First Trust Deed Loan application | <input type="checkbox"/> Term Savings Account information |
| <input type="checkbox"/> Home Equity Line of Credit application | <input type="checkbox"/> Auto Loan information |
| <input type="checkbox"/> MoneyMaster Line of Credit application | <input type="checkbox"/> Net Paycheck sign-up form |
| <input type="checkbox"/> Share Draft (checking) application | <input type="checkbox"/> Star System/Cirrus ATM locations |
| <input type="checkbox"/> Visa ATM/Check Card Application | <input type="checkbox"/> PALS sm (Precision Auto Locator System) |
| <input type="checkbox"/> Direct Deposit of Social Security application | <input type="checkbox"/> Family Membership Kit |
| <input type="checkbox"/> Direct Deposit of Retirement application | <input type="checkbox"/> Holiday Account application |

Not necessary to complete if mailing address is on reverse side.

Name _____ Account Number _____
Address _____

New Coverdell Education Savings Account Bigger Name, Better Rules, Tax Saving Opportunities



You may have heard about the Education IRA and its limit of \$500 per year but in 2002, that account has a new name and new rules. Now, it's a Coverdell Education Savings Account and up to \$2,000 can be saved per year, per student.

Start your Coverdell Education Savings Account as early as possible to help ensure the youngsters in your life can get the best education possible. You can start with as little as \$5 in an

accumulation account and set up automatic deductions from any of your Credit Union accounts to make the saving very easy.

If your income falls within the program's guidelines, there is no limit to the number of Education Savings Accounts you can contribute to for students under the age of 18; one for each child or grandchild, or even niece, nephew or neighbor, if you choose. Though the contribution is not tax

deductible, withdrawals from the account, including contributions and dividends, are free from federal tax when distributed before the beneficiary's 30th birthday. However, distributions must go for education expenses related to primary school, secondary school, college, graduate or vocational schools. Eligible expenses include tuition, tutoring, books, room and board, equipment and supplies. Please consult your tax advisor for complete information.

Invest in Education

Call 800-633-2848 (Monday-Friday, 7 a.m.-6 p.m. Pacific) to learn more about this investment in the future and to set up an account today.★

Generally, you are eligible to contribute to a Coverdell Education Savings Account if you are single with modified adjusted gross income (MAGI) of \$110,000 or less; or married, filing jointly, with MAGI of \$220,000 or less.

Each member credit union federally insured to \$100,000 by the National Credit Union Administration, a U.S. Government Agency



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