



# Notes of INTEREST

1st Quarter 2009

[www.dairystatebank.com](http://www.dairystatebank.com)

## More *on the financial* Front

By Mike Bock, CEO

In the last couple issues of *Notes of Interest*, my comments have centered on the challenges and changes that are facing the financial services industry. That landscape continues to change, with the stock market taking a sizeable hit in the fourth quarter; the US Treasury advancing the Troubled Asset Relief Program (TARP) to assist financial service providers and, now, the auto industry; foreclosures in the United States continuing to increase; real estate values declining; and a new president coming on board to lead the country. That is quite a list of challenges for any industry.

### Troubled Asset Relief Program (TARP)

I would like to take a moment to talk about the TARP program that was adopted by the US Treasury. The mission of this program is to inject capital into the banking system, adding safety and capacity to the financial services market. As of December 31, 2008, roughly 220 banks had been approved to receive funds under the TARP program. This group of 220 banks is only 2.6% of



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## Bank Locations

Rice Lake  
16 South Main Street  
715-234-9181

Birchwood  
124 North Main Street  
715-354-3411

Haugen  
103 Third Street  
715-234-7006

Prairie Farm  
101 Hepburn Street East  
715-455-1339

Menomonie  
2405 Schneider Avenue  
715-235-5511

Menomonie  
600 Second Street  
715-235-6983

Menomonie  
2320 Highway 25 N  
715-235-6801

Colfax  
101 South Main Street  
715-962-3577

Downsville  
E4491 County Road C  
715-664-8711

Wheeler  
100 South Hwy 25  
715-632-2441

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# Important *IRA* Considerations

There are two types of IRAs available: the Traditional IRA and the Roth IRA. The primary difference between them is the tax treatment of contributions and distributions (withdrawals). Traditional IRAs may allow a tax deduction based on the amount of a contribution, depending on your income level. Any account earnings compound on a tax-deferred basis and distributions are taxable at the time of withdrawal at the then-current income tax rates. Roth IRAs do not allow a deduction for contributions, but account earnings and qualified withdrawals are tax free.<sup>1</sup>



David Thoe  
LPL Financial Representative

Located at:  
Dairy State Bank's  
Menomonie Office

any deductible contributions previously made to — the Traditional IRA. The withdrawal from your Traditional IRA will not affect your eligibility for a Roth IRA or trigger the 10% penalty normally imposed on early withdrawals.

The decision to convert or not ultimately depends on your timing and tax status. If you are near retirement and find yourself in the top income tax bracket this year, now may not be the time to convert. On the other hand, if your income is unusually low and you still have many years to retirement, you may want to convert.

## Traditional or Roth IRA?

In choosing between a Traditional and a Roth IRA, you should weigh the immediate tax benefits of a tax deduction this year against the benefits of tax-deferred or tax-free distributions in retirement.

If you need the immediate deduction this year — and if you qualify for it — then you may wish to opt for a Traditional IRA. If you don't qualify for the deduction, then it's almost certainly a better idea to fund a Roth IRA.

On the other hand, if you expect your tax bracket to drop significantly after retirement, you may be better off with a Traditional IRA, if you qualify for the deduction. You could claim an immediate deduction now and pay taxes at the lower rate later. Nonetheless, if your anticipated holding period is long, a Roth IRA might still make more sense. That's because a prolonged period of tax-free compounded earnings could more than make up for the lack of a deduction.

## Should you convert to a Roth?

The IRS allows you to "convert" — or change the designation of — a Traditional IRA to a Roth IRA if you have an adjusted gross income of \$100,000 or less. As part of the conversion, you must pay taxes on any investment growth in — and on the amount of



Brandon Olson  
LPL Financial Representative

Located at:  
Dairy State Bank's  
Rice Lake Office

If you have questions about which IRA is best for you or wish to receive a free, no-obligation portfolio review, please contact either Brandon Olson in the Rice Lake office or David Thoe in the Menomonie office.

Brandon can be reached by calling (715) 234-9181 or e-mailing [brandon.olson@lpl.com](mailto:brandon.olson@lpl.com).

David can be reached by calling (715) 235-5511 or e-mailing [david.thoe@lpl.com](mailto:david.thoe@lpl.com).

*This article is not intended to provide specific investment or tax advice for any individual. Consult your LPL Financial adviser, or your tax adviser with any questions you might have.*

<sup>1</sup>Early withdrawals (before age 59-1/2) from a Traditional IRA may be subject to an additional 10% penalty tax. Early and other nonqualified withdrawals from a Roth IRA may be subject to taxation, as well as the 10% penalty.

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## Where *has all the money* Gone?

A frequent theme in recent business news is about the tightening up of the credit market and the inability to get a loan. Those reports are accurate, as the criteria needed to get a loan have tightened up, with the reintroduction of two former requirements: an appropriate down payment and verifiable income to make payments. **That is not to say, though, that there isn't money to make loans with.**

Even with current challenges in the financial market, **there is money to lend to qualified credit applicants.** So, if you have thoughts or ideas for a good business or personal reason to use credit, funds can be obtained — but do expect more traditional underwriting standards in terms of down payments and income verification. With that said, what follows are some things to consider if the need for a loan is in your future.

### Residential mortgages

With the recent government monetary stimulus, interest rates have reached very low levels on long-term fixed-rate home mortgages. This may be an opportunity for individuals to go through a refinancing plan that could drop their interest rate and monthly payment. However, with the general reduction in home values, equity that was present two years ago may have changed and new appraisals are often required to support current market values. In addition, appropriate income verification and acceptable credit scores are also required to qualify for a refinancing. For those of you that have variable rate home equity lines, it may be a great time to refinance those into a conventional mortgage, providing a fixed interest rate and payment for years to come.

### Commercial loans

Commercial credit comes in many forms, ranging from term loans for real estate and equipment to working capital lines and letters of credit. Like the residential mortgages, the credit criteria for commercial loans have also tightened, but for the qualified borrower there is money available to move forward with worthwhile projects. In preparing for a discussion for a commercial credit request, historical business performance and information is very important to have and analyze, but more important is what lies in the future for business performance. The current credit crisis reminds all of us that future payments will be made using future income and not past resources, so we must all look into the future to the best of our ability when making credit decisions.

No matter what type of loan you may be considering — residential or commercial — Dairy State Bank has a number of experienced professionals to assist with your credit needs. Come in and tap the know-how of these experts to help put a package together that works best for you. ➤



*DSB loan officers servicing the Menomonie/Colfax offices: (seated, l-r) Bob Boehm and Jodi Carr (both Menomonie); (standing, l-r) Clark Yolitz (Menomonie), Dale Kastner (Menomonie) and Seth Sundeen (Menomonie and Colfax).*



*DSB loan officers servicing the Rice Lake/Birchwood/Prairie Farm offices: (front row, l-r) Mike Britton (Rice Lake), Krista Paulus (Birchwood), Todd Kobielush (Rice Lake) and Sherrie Siebert (Prairie Farm); and (back row, l-r) Tom Shervey, Eric Thoreson, John Miller, Dave Bridges and Greg Tinker (all Rice Lake).*

## DSB *joins* CDARS

Late in 2008, Dairy State Bank completed the process of joining the network known as the Certificate of Deposit Account Registry Services®, or CDARS for short. Our membership in the CDARS network **allows us to gain FDIC insurance coverage for up to \$50 million in deposits per participating customer**, in a very convenient and easy way. With CDARS, you sign one agreement with Dairy State Bank, earn one interest rate and receive one regular statement for your records. **As the program name suggests, this works for certificates of deposits only, with available deposit terms ranging from as short as four weeks to as long as five years.** To learn more about the CDARS program, please visit their Web site, at [www.CDARS.com](http://www.CDARS.com), or stop in to either our Rice Lake or Menomonie offices and visit with our customer service representatives. ➤

*"... the CDARS network allows us to gain FDIC insurance coverage for up to \$50 million in deposits per participating customer ..."*

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## Recent *IRA* legislation

On December 23, 2008, President Bush signed into law the Worker, Retiree and Employer Recovery Act of 2008. **This legislation affects individuals who are taking required minimum distributions (RMDs) and beneficiaries of deceased IRA holders.**

Under this law, if you are an IRA holder who is age 70-1/2 or older in 2009, or are a beneficiary of a deceased IRA holder account, you are not required to take an RMD for the 2009 tax year.

If, however, you are an IRA holder who was age 70-1/2 in 2008 and chose to delay your first RMD payment, you still must take your 2008 RMD by April 1, 2009.

Any distributions that are taken from an IRA in 2009 will not be considered RMD payments unless the payments are distributions to satisfy RMDs for the 2008 tax year.

If you are receiving an automatic distribution from your IRA and would like to continue this payment, please contact Cindy Close in Menomonie at (715) 235-5511 or Robin Severson in Rice Lake at (715) 234-9181.



Robin Severson  
Rice Lake Office



Cindy Close  
Menomonie Office

## New Computer System Ahead

Dairy State Bank has embarked on a project to change the computer system used by the bank.

**The conversion is targeted to occur sometime in early June 2009.** While this will be a big change for DSB, we're very excited about some of the new and enhanced features that will be available, both to us and many of you, as a result of the updated system.

### How will this conversion affect you?

For many of you, the changes may be very small, or may be none at all. For our online banking users, you'll see a complete "new look," with enhanced features for your use.

While this conversion is still about five months out, we want to make everyone aware of the upcoming change. **As we get closer to the conversion, there will be more detailed information shared to update everyone about the transition.** Updates may be in the form of newsletter articles, direct mail pieces, postings to our Web site and, in some cases, live demonstrations.

We thank you, in advance, for your patience as we go through this change and **we look forward to having the new and improved computer system to help us service you for years to come.**

## Questions *and* Answers

**Q** I'm ready to purchase my first home, but I understand some of the financing programs that were available for first-time home buyers are in short supply. Knowing this, is it worth my time to look for financing?

**A** The first-time home buyers financing program used in the past was through the Wisconsin Housing and Economic Development Authority (WHEDA). It's true, due to the current volatility in the capital markets, WHEDA is not currently providing financing under this program. They hope it can return when the capital markets gain some stability. In the meantime, there are still these reasons to consider purchasing your first home at this time:

- First, with real estate markets currently slow, home prices have generally declined from what they were just a year ago.
- Next, legislation enacted in 2008 has provided a refundable tax credit of up to \$7,500 for qualified first-time home buyers who purchase a home between April 9, 2008 and July 1, 2009. Visit with your tax adviser for the details of this credit.
- Finally, financing is still available for home purchases if you have a solid income, good credit and a meaningful down payment (minimum of 10%).

**Q** With the FDIC insurance coverage expanded to \$250,000, would a five-year certificate of deposit opened in April 2009, for \$125,000, be fully insured until it matures in 2014?

**A** That would depend on the type of CD opened. If you choose to participate in the CDARS program (see related story on Page 4) when you open

the CD, it will be fully insured through maturity. If the CD isn't part of the CDARS, then no, it would not be fully insured through maturity. The way the rules have been written for the expanded coverage, the \$250,000 limit is available through December 31, 2009 only. At that time, coverage would revert back to the previous limits of \$100,000 per depositor. So, for a five-year certificate of \$125,000, opened in April 2009, the full amount would be covered by FDIC insurance through December 31, 2009 and then only \$100,000 would be covered for the remaining term. Visit our customer service representatives for more information on this and for ways to title deposits to maximize FDIC insurance both now and in the future, or go to the FDIC Web site at <http://www.myfdicinsurance.gov/>.

**Q** I signed up for an automatic payment to come out of my checking account to pay a vendor, but I would now like to discontinue this. Can the bank discontinue this payment?

**A** No, the bank is not authorized to do that. When you signed up for the payment, you signed an authorization with the vendor for the withdrawal and the vendor will likely continue withdrawing payments until you tell them to stop. While the bank may be able to return one of these transactions upon request, there is a charge to do that and it does not insure future withdrawals will be caught.



If you have a question, covering any bank topic, please direct it to one of our customer services representatives or e-mail us at [customerservice@dairystatebank.com](mailto:customerservice@dairystatebank.com). We'll be happy to answer it. ➤

## Back in the Saddle Again

We're pleased to report that Dale Kastner has returned to the Menomonie office, following a brief medical leave. Nice to have you back, Dale!



## Info Worth Noting



### Direct deposit reminder regarding your tax refunds

Just a reminder when completing your taxes. If you used the old First Bank & Trust routing number of 091801904 to have your tax return direct deposited into your account, please change it to the new Dairy State Bank routing number of 091811004.

### An April 15th tax-filing reminder

Remember, you can open and/or fund any tax-advantaged account up to Wednesday, April 15, 2009, and include it on your 2008 returns. At Dairy State Bank, that includes the following accounts:

- IRAs (Traditional or Roth Individual Retirement Accounts)
- HSAs (Health Savings Accounts)
- Coverdell ESAs (Education Savings Accounts)



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## News *just for You:* Legislative changes to IRA rules and more!

### CEO's message *(continued)*

the approximate 8,450 banks operating in the United States, but tends to include the larger banks that operate in the country.

As has been suggested in past letters, community banks in Wisconsin have practiced prudent banking practices, keeping them solid. This is supported, again, by the fact that as of December 31, 2008, only five banks operating in the state of Wisconsin have applied for and been approved to receive funds from the Treasury under the TARP program. This group of five banks consists of the large and generally publically traded organizations that operate in Wisconsin. As of this writing, no community banks will be receiving funds from the program.

This speaks well of the many community banks in Wisconsin that continue to follow sound banking practices, resulting in sound organizations.

There is one final comment regarding TARP, for all to understand — this is not a gift from the US Treasury but, instead, a capital injection that comes with an interest factor in the form of a preferred stock dividend, and includes an expected repayment period between five and ten years and an exchange of some ownership through warrants. If this capital support by

the US Treasury stabilizes and, in fact, strengthens the financial services system as planned, the government will receive a meaningful return on the investment it made in the companies receiving this money.

### Every cloud has a silver lining

While there continues to be uncertainty in the markets causing concerns for many of us, uncertainty can present opportunities. In some cases, that opportunity is in the form of a wake-up call prompting us, as individuals and business owners/operators, to

rethink our long-term financial goals, risk levels and debt use. In other cases, that opportunity may be securing a lower mortgage rate as a result of refinancing due to lowered interest rates. Or, it may be an opportunity to purchase a first home as a result of both lower interest rates and lower home prices.



While we, at Dairy State Bank, do not know when today's challenges will be overcome or where you may find an opportunity in this uncertain time, we are even more committed to remaining financially strong so we can help you achieve success. We appreciate every call and question you pose to us and we look forward to finding solutions and success together.

Thank you for putting your trust in Dairy State Bank. We look forward to **banking on our relationships with you** for years to come.

*“This speaks well of the many community banks in Wisconsin that continue to follow sound banking practices, resulting in sound organizations.”*