

Summer/Fall 2006

# Notes of INTEREST



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

## A fresh new Look

By Mike Bock, President

Soon you will notice a little change at Dairy State Bank. We have updated our logo and adopted a new tag line.

First, we gave the logo new, brighter colors. Then, we gave it a gentle slant.



Even though these changes may seem small, the rationale is definitely large. A logo is more than a name. Not only should it say who we are but it should also suggest how we serve our communities. Our mission is to meet your needs as a community of individuals. Each one of you has unique needs and we must meet them with bright creativity and forward thinking. The new logo helps convey this goal.

*Banking on Relationships* Now, logos are inherently subtle. That's why we've also selected this new tag line. The Dairy State Bank staff helped with its selection. Even more important, through their actions they'll help make it real.

Recently, we conducted an anonymous survey of the entire staff. When asked "what is our greatest competitive strength?" the number



Continued (*back page*)

COMING SOON ~

## Even greater web Security!

For many of you, the Internet has become an incredibly convenient way to manage your money online. With this in mind, we wanted to update you on the latest developments in making Internet banking more secure than ever before.

Starting later this year, we will be adding an extra layer of security for logging on to your DSB accounts. This new security procedure will greatly reduce or eliminate the effects of the "phishing," "pharming" and account-takeover scams that are so prevalent in the media today.

Watch for more information on "multi-factor authentication." It may sound confusing, but it is really just an extra step to ensure security and validate your identity to a computer system.

Continued (*back page*)

# Worrying *about the right* Things

By Mike Martin, LPL Investment Representative  
Located at: Dairy State Bank

It is very interesting how some people tend to worry when they shouldn't and, then, not worry when they should.

Case in point . . . the economy.

## Needless Concerns

For a while it was "the jobless recovery" that had people worried, but here we are moving right along, having gained two million jobs over the last year and five million over the last three years.

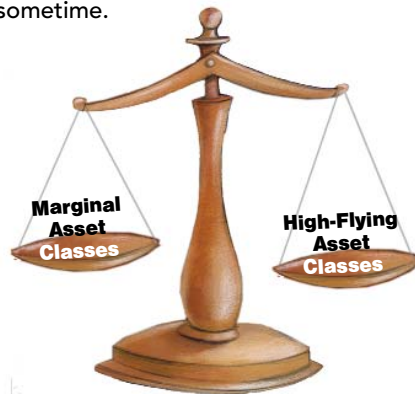
Now folks are worried about Americans "not saving enough," that the personal saving rate has gone negative for the first time ever.

As many of you know, I am all for higher saving, but I don't think this current situation is something to worry about. This saving measure has somewhat strange accounting conventions for handling pension taxes and payments. It immediately expenses everything you buy and it ignores capital gains while deducting capital gains taxes. All of this is arcane, but it amounts to big money: in 2005 — when we supposedly had a negative saving rate — total U.S. household net worth rose by \$3.9 trillion to \$52 trillion! And over the last three years, net worth has increased a whopping \$22 trillion, with assets rising by \$28 trillion and debt by \$6 trillion. So, I find it difficult to get concerned over a hard-to-measure low "personal saving rate."

## Valid Concerns

Then there are the things people are not worried about but probably should be. In this category, I would put super-high returns in some asset classes. Technology

was the high flyer back in the late 1990s; today, it's gold and other commodities. These industries are called cyclical for a reason. Their high prices tend to 1) encourage more production which increases supply and 2) discourage consumption which reduces demand. Near-term, I have no idea where gold, oil or other commodity prices are going, but I suspect that more supply and less demand will lead to lower prices sometime.



## Portfolio Rebalancing to Help Limit Risk

This is where the discipline of portfolio rebalancing can help limit risk. While I think it is a good idea to let high-flying asset classes take a somewhat bigger slice of the portfolio, I also think that limits to portfolio imbalances are a good way to control risk. For the last 3-5 years, the big winners have been real estate, emerging markets, large cap foreign equities, U.S. small cap value and commodities. For the most part, these are marginal asset classes and all were poor performers in the 1990s. It is



always hard to sell your winners and buy the losers, but, I think, more often than not, it turns out to be the right thing to do.

Worry about your winners!

Some say that portfolio allocation is the biggest component driving investment returns. That is not true. If it were, then the performance of all fund managers in a single asset class would be about the same, which is not the case. Portfolio allocation is the biggest component setting risk levels, not return. We use asset allocation and rebalancing to control risk while keeping the portfolio diversified and positioned to capture return.

As always, I invite you to my office — at no cost or obligation — to discuss options for managing your investments and ways to avoid potential investment pitfalls. Please contact me by calling (715) 234-0096 or by e-mailing [michaelg.martin@lpl.com](mailto:michaelg.martin@lpl.com).

This article is not intended to provide specific advice or recommendations for any individual. Consult me, your financial adviser, with questions.



Securities and insurance products offered through Linsco/Private Ledger. Member NASD/SIPC. Not FDIC insured. No bank guarantee. May lose value. Not a deposit. Not insured by any Federal Government Agency.

WHAT YOU NEED TO KNOW ABOUT

## Electronic *check* Conversion

Next time you're shopping at the mall, getting groceries or paying a bill, don't be surprised if the cashier accepts your check, runs it through a machine and hands it back — voided — along with your receipt.

*"... don't be surprised if the cashier accepts your check, runs it through a machine and hands it back — voided — along with your receipt."*

This is one example of a new way for businesses to process your check payments and it may result in the check clearing your account much sooner than it used to. It's called "electronic check conversion" and while it's been available to businesses for several years, it is just now becoming more commonplace among retailers.

Electronic check conversion happens whenever a business — such as a store merchant, utility, insurance company and others — accepts your

paper check but instead of depositing it into their account — which can take several days to clear your account — they enter the check's account information into their computer and initiate a one-time electronic transaction between their bank account and yours — which can shave days off the check-clearing cycle. For this reason, it's important that you have enough money in your account to cover your check.

### Businesses Are Required to Post Notice

These one-time electronic check conversions are perfectly acceptable as long as the business has posted their policy of using this form of payment processing. They must also notify you of their practice to collect fees electronically — as well as the specific amount — for checks written with insufficient funds.

### Your Rights In Case of An Error

With any electronic transaction, you should always check your merchant receipt and your bank statement promptly to make sure it was processed correctly. If you should discover an error, you have very specific rights for correcting it. Feel free to contact any Dairy State Bank office with your questions. Or, for an easy-to-read fact sheet, go to the Federal Reserve's Web site and view "When Is Your Check Not A Check?" — found at [www.federalreserve.gov/pubs/checkconv/](http://www.federalreserve.gov/pubs/checkconv/).

## Online *bill* Pay

Bill pay — the convenient online bill paying service — will be available to Dairy State Bank customers later this year. Accessed through DSB's secure Web site, at [www.dairystatebank.com](http://www.dairystatebank.com), this service will allow you to initiate payments to merchants, whenever you want, day or night, from the convenience of your computer. Watch for details later this year. ➤

## Home *buying* Tips

By Todd Kobiulush, Loan Officer

Here are four important tips to consider when you're starting the home-buying process. Ignore any one of them and you may find yourself overwhelmed by your new debt load or other setbacks.

### ✓ Check your credit report months before shopping

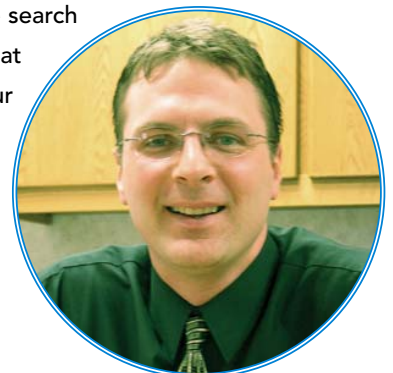
Your credit report and credit score are main determinants in approving or denying a mortgage loan application. Checking your credit report at least six months before house hunting gives you an opportunity to fix any errors on the report and to identify — and remedy, if possible — valid credit issues, such as excessive or delinquent debt.

To receive your credit report and credit score, you can call (877) 322-8228, or go online to [www.annualcreditreport.com](http://www.annualcreditreport.com), or mail a standardized form to Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281.

### ✓ Get loan preapproved

When you apply for preapproval, we evaluate your application using the same criteria as when you apply for an actual loan and, once approved, we provide a formal letter of approval that your seller can rely on — giving you a distinct advantage over those buyers who have not been preapproved. A preapproved loan tells you exactly how much credit you're eligible for, helping you narrow your house search to those that best fit your budget.

Continued  
(back page)



## News *just for You*: A new look for Dairy State Bank and more!

### Home Buying Tips *(continued)*

#### **Borrow conservatively**

While you'll likely be eligible for more, a good rule of thumb is to hold your total housing cost to 25% of your gross income:


$$\begin{array}{r} \text{Mortgage Payments} \\ + \text{ Homeowner's Insurance} \\ + \text{ Property Taxes} \\ \hline 25\% \text{ of Your Gross Income} \end{array}$$

By doing so, you'll be better prepared to handle planned and unexpected maintenance bills, as well as important non-house-related needs, such as college or retirement savings, major trips or weekend getaways and others.

#### **Reserve ample cash for closing costs and new home start-up costs**

In addition to your housing costs, noted above, there are always costs involved in closing the loan, which we disclose in advance as a good faith estimate, and in getting settled into your new home — not to mention the likelihood of unforeseeable problems.


A second rule of thumb is to identify and set aside these costs plus three months of your regular monthly expenses. Having these reserves available will help make the transition into homeownership much smoother, less taxing and more rewarding.

With these tips in hand, we wish you happy house hunting! 

### Fresh Look *(continued)*

one answer was "our friendliness and helpfulness to customers." It seemed appropriate to capture this attitude in our tag line. I trust you are personally experiencing the caring approach to customer service summarized by "Banking on Relationships."

**Change is good.** Our fresh new look and tag line are just a few among many that are underway. I look forward to announcing more to you as they become ready.

**Some things won't change though.** That is our local ownership, our commitment to our communities and our appreciation of you as our customer. 

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### Web Security *(continued)*

This is a very important step in security and DSB is committed to being on the leading edge of technology. We will keep you informed of the latest developments and will do our best to make the process easy for you.

Thanks for being our customer and if you haven't already signed up for **free Internet banking**, please visit any DSB office or our Web site at [www.dairystatebank.com](http://www.dairystatebank.com). 