



Notes of Interest

A Perspective on Interest Rates — Current and Past

By Mike Bock, CEO

Do you remember the events of six years ago that shocked financial markets? It was in the fourth quarter of 2008 when Lehman Brothers filed for bankruptcy; AIG received the \$84 billion government loan; credit markets, in general, went into a panic with the fear of subprime mortgages and municipal credit; and the advent of TARP came about to help calm the markets. At the same time, the Federal Reserve stepped in and did what they could to help the markets by dropping interest rates overnight to nearly zero, resulting in a federal fund rate of 0% to .25% and a prime rate of 3.25%. With those weak markets, staying at the unprecedented low rates for the next few years was not unexpected.

Today — more than six years later

Now that we have gone more than six years at these levels, we are all asking when interest rates will go up. There have been a number of predictions, over the last couple of years, that rates have to go up soon, but more recent predictions are that nothing much may happen until 2016.

How the U.S. compares to other nations

While interest rates in the United States are at unprecedented low levels, based on our historical experience, they remain higher than those in many other countries. Refer to the chart on the back page to see how the five- and ten-year U.S. Treasury note rate compares to rates on debt issued by other countries believed to be financially



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Grand Opening Time — New Turtle Lake Facility

It was announced in our last newsletter that we acquired property on Highway 8 in Turtle Lake to be remodeled for a new bank location. Remodeling has progressed very nicely and we are currently planning for a move late in June.

Mark your calendars

We are going to spend a few weeks getting used to the new surroundings before kicking off our grand opening events, running from July 20th through July 24th, at the new Turtle Lake location. Mark your calendars now and stay tuned for more information.

Drive-up ATM

The new Turtle Lake facility will include a drive-up ATM. You will find the machine on the outside drive-up lane. ➤

Service hour changes

Service hours will change for both the Turtle Lake and Cumberland locations, effective Monday, June 22:

Lobby:

Monday through Thursday	8:30 to 4:00
Friday	8:30 to 5:00

Drive-up:

Monday through Wednesday	7:45 to 4:30
Thursday and Friday	7:45 to 5:00
Saturday	7:45 to Noon

Popular eServices

On nearly a daily basis we have customers signing up for DSB's various electronic services, such as:

- Online banking
- Mobile banking
- eStatements
- ACH payroll processing
- And others

If you want more information on how these or other electronic services could benefit you, give us a call or go to our website at www.dairystatebank.com. ➤

Summer Fun and Community Investment — A Winning Combination

As a community bank, we know our success is highly dependent upon the health and strength of the communities we serve. As such, we support many summer events, both by investing in sponsorships and with the investment of volunteer time of our staff.

We would encourage all of you to consider supporting these summer events, too. You might do this by attending a community festival or county fair — a guaranteed fun outing — or by buying a raffle ticket for a community or school fund-raiser or simply by shopping local instead of ordering online.

Investments we make in our communities have a multiplier effect, making a stronger community for all of us. ➤



Advantages to Banking with a Community Bank

As a local community bank, Dairy State Bank is a proud part of the communities we serve. Here are some of the benefits of being part of a community bank and why Dairy State Bank is the right choice for you.

From the community, for the community

Community banks are typically very involved in the community in which they operate. When you make a deposit into your Dairy State Bank account, you help support the local economy. Borrowers and small businesses in our area rely on us for loans. By banking with DSB you play a role in the financial success of fellow neighbors and nearby businesses.

The human touch

With community banks, it is less likely you will have to pay for personalized care. DSB strives to place greater value in customer service. When you have questions or problems, our employees are more than happy to help you find a solution. Familiarity with DSB's staff can help you overcome obstacles and manage your personal finances more effectively.

"Not only do we understand our customers, we also understand the unique challenges that face our local communities."

Betting on you

Not surprisingly, ever since the financial crisis, all lenders have taken a magnifying glass to borrowers' loan applications. With a community bank, your loan process may be a different experience. Many loan officers within community banks are more likely to look at your overall situation rather than just run your personal data and credit reports through a predetermined formula. In addition, community banks may offer better interest rates on loans.

Keeping decision-making local

At DSB, loan approvals and other key decisions are made locally by people who live in the community, have face-to-face relationships with their customers and understand local needs. Because of this personal knowledge, we are often able to approve small business and other loans that big banks would reject.

Ability to tailor services to customers

Many big, national banks have strict policies that are not at all flexible and use a "one-size-fits-all" approach to decision-making. Because we are more familiar with the local community, we can tailor services to individual customers and borrowers. We are more familiar with our customers' backgrounds and extenuating circumstances and can, therefore, help provide less risky banking decisions for them. Not only do we understand our customers, we also understand the unique challenges that face our local communities. ➤

Staff News

Congratulations to Beth Narges and Linda VanBlaricom for their recent promotions.



Beth was promoted to vice president and serves customers from both our Cumberland and Turtle Lake offices.



Linda was promoted to assistant vice president and serves as an important resource for all of us in the bank by helping keep the back room operations running smooth.

Congratulations to Beth and Linda!



We also welcome Ben Buehler to our organization. Ben is working with Brandon Olson in our LPL Investment area as he completes his requirements to become a licensed investment representative.

Welcome Ben.

Home Buying Update — From Renter to Homeowner

We're all familiar with the famous line from *The Wizard of Oz*. As Dorothy clicks her ruby slippers, she repeats over and over again, "There is no place like home!" It's true. There is no place like home – and owning a home makes it even more rewarding. It's the American Dream, after all.

The spring/summer buying season is in full swing and we expect it to be the best year for home sales since 2007. Renters will be a key market segment that may consider reaching out to make a purchase. Here is why:

- **Rising rents**

Rent prices increased an average of 3.6 percent in 2014 and nearly 11 percent over the last three years, according to REIS, Inc., a leading source of real estate data. Freddie Mac predicts the trend will continue.

- **Low mortgage rates**

At the same time, mortgage rates continue to remain at near historic lows.

- **Affordable homes**

Homes for sale remain affordable — still about 10 percent below their 2006 peak nationwide.

When you take these factors into account, it makes sense for renters to consider making a purchase now.

According to a November 2014 Harris Poll, commissioned by Freddie Mac, roughly 39 percent of renters who would consider buying a home see this as a good financial option.

Renters welcomed

Are you a renter and considering buying your first home? Dairy State Bank would like to help you. Feel free to stop in and visit our experienced mortgage loan officers to see what it takes to turn your home purchase dream into reality.

For more information on home loans and current interest rates, go to our online mortgage center at www.dairystatebank.com. ➤

Note: Much of this article is reprinted from an article from the Federal Home Loan Mortgage Corporation, dated April 23, 2015.

DSB's Home Loan Products

Now is a great time to build or buy a home, or refinance your home for lower rates or home improvements. Let one of Dairy State Bank's lenders help you find the loan program that is tailored to fit your needs.

Dairy State Bank has a wide variety of products, including:

- 10-year to 30-year fixed rate loans
- 5-year adjustable rate loans (up to 30-year amortization)
- Adjustable and fixed rate home equity lines of credit
- 12-month construction loans (up to 90 percent loan to value)

With Dairy State Bank, you can take comfort in knowing that the decisions are made locally and the service is fast and friendly with a lender that you know and trust.

Don't let the lower interest rates pass you by. Apply online or contact your local Dairy State Bank lender now to get started.



Withdrawing Your Assets: Understanding RMDs

When it comes time to start withdrawing the money you've spent a lifetime accumulating in your retirement portfolio, you want to ensure that you make the right decisions. One that the government makes for you is requiring that you withdraw at least some of your funds annually, depending on the account type.

This is known as a required minimum distribution, or RMD, and it must be taken from your non-Roth retirement accounts by April 1, starting the year after you turn age 70½.

An RMD is generally determined using uniform life expectancy tables that take into consideration the account owner's and/or account beneficiary's age and marital status, as well as their account balance(s) as of December 31 of the year prior to the distribution year.

Here are some important considerations for those entering the "distribution phase" of their investing lives.

- **You can pick the account(s) you withdraw from...**

If you have more than one of the same type of retirement account — such as multiple traditional IRAs — you can either take individual RMDs from each account or aggregate your total account values and withdraw this amount from one account. As long as your total RMD value is withdrawn, you will have satisfied the IRS requirement.

- **... Unless they are two different types of accounts.**

If you own more than one type of account, such as an IRA and an employer-sponsored plan account, you'll need to calculate your RMD for both types of accounts separately and take the proper amount from each.

- **You may be able to defer if you're still working.**

If you are still employed at age 70½, you may be able to defer taking RMDs from your employer-sponsored plan until after you retire. You'll need to check with your employer to see if this applies to you.

- **The penalties can be severe for failing to comply.**

If you fail to take your full RMD, the IRS may assess an excise tax of up to 50% on the amount you should have withdrawn and you'll have to take the distribution.

- **Taxes are still due upon withdrawal.** You will probably face a full or partial tax bite for your distributions, depending on whether your traditional IRA was funded with nondeductible contributions. Note also that the amount you are required to withdraw may bump you up into a higher tax bracket.

- **You can donate your RMDs to charity.** IRA owners can donate up to \$100,000 of their annual distributions to qualified charities and have it count toward their RMD. If you've inherited an IRA, these donations are allowable as long as you are over age 70½.



Brandon M. Olson, CRPC®
LPL Financial
Representative

- **Roth accounts are exempt.**

If you own a Roth IRA or Roth 401(k), you don't need to take an RMD. However, note that any distributions taken from a Roth do not count toward your RMD amount and that restrictions apply to the beneficiaries of inherited Roth accounts.

For more information

Everything you need to know about retirement account RMDs can be found in IRS Publication 590, including the life expectancy tables you'll need to figure out your RMD amount. Your financial and tax professionals can also help you determine your RMD.

The information in this communication is not intended to be tax advice. Each individual's tax situation is different. You should consult with your tax professional to discuss your personal situation.

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CEO's message *(continued)*

stable. This was an eye opener because it did not seem possible rates could get much lower than what we are seeing in the U.S. but other countries have made it happen. After looking at this information, there seems to be the potential — while not likely — that rates could actually go lower from here. Or, it may be saying we have a little wait yet before rates head up significantly.

As of May 18, 2015	5-year rate	10-year rate
United States	1.50%	2.20%
Canada	1.00%	1.71%
Germany	0.08%	0.65%
Switzerland	-0.46%	0.00%
Japan	0.09%	0.38%
Australia	2.26%	2.86%

What looms ahead?

So is this a rate prediction? Not even close. After watching the economists who try to predict rates for a living constantly get it wrong, there is no way we would take a shot at it. But, what the information suggests, is that while rates are low, they are not as bad as they could be. It also suggests we need to keep our eyes and ears open to all information, both domestically and internationally, for hints of when rates may change again, either for better or for worse.

While we are not rate predictors, we will continue to help answer any questions you may have on interest rates to the best of our ability. Thank you for your banking relationship. ➤



Identity Theft Help

Has your identity been compromised? If so, there is help available. The Federal Trade Commission just announced a new website resource — at www.identitytheft.gov — that provides an interactive checklist that walks you through the steps to take if you are a victim of identity theft. The site groups the steps into three sections: (1) What To Do Right Away; (2) What To Do Next; and (3) Other Steps. Each of the sections allows you to print a checklist. At the bottom of each page there are these additional links for information: Know Your Rights; Sample Letters; Warning signs of identity theft; and What to do if your info is lost or stolen.

Dairy State Bank also can help if you are concerned about identity theft. We have brochures from the Federal Trade Commission and procedures in place to assist you. Also, see the personal ID theft section on our website in the Education Center. ➤