



Notes of INTEREST

3rd Quarter 2008

www.dairystatebank.com

Financial *industry* Challenges

By Mike Bock, CEO

Over the last few months, the national news has been filled with scary stories from the financial services sector.

It began last fall with the first reports about subprime mortgages, their related CDOs (collateralized debt obligations) and the billions of dollars of write-downs that were taken on these securities. From there, we read about the Bear Stearns failure in March 2008; then, the problems faced by the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC), commonly known as Fannie Mae and Freddie Mac, respectively. These two government-sponsored agencies are struggling with reduced capital, raising concerns about their long-term ability to fill their very vital role in the fixed-rate residential mortgage world.

In fact, Fannie Mae and Freddie Mac are so important, that President Bush just recently signed a bill to financially assist them to ensure they continue to function.

And if that wasn't enough, there's

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New hours for Menomonie

Effective September 2, our Menomonie offices will have new hours, as follows:

Main/Eastside Location

Lobby	Mon-Fri	8:30 am to 4:30 pm
	Saturday	8:30 am to 12:00 noon
Drive Up	Mon-Fri	8:30 am to 5:30 pm
	Saturday	8:00 am to 12:00 noon

In addition to new hours, the Saturday lobby hours will include loan services as well.

Downtown Location

Lobby	Mon-Fri	8:30 am to 4:30 pm
Drive Up	Mon-Fri	7:00 am to 5:30 pm
	Saturday	8:00 am to 12:00 noon

North Location

Lobby	Mon-Fri	8:30 am to 5:30 pm
Drive Up	Mon-Fri	8:30 am to 6:00 pm
	Saturday	8:00 am to 2:00 pm

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
100 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

Member FDIC



Which *investment* Strategy?

When returns don't meet expectations or markets turn downward, some investors feel the urge to become more active by trying to identify the best times to be in or out of the market. True, many portfolio managers and other professional investors often try to predict the optimal time to buy and sell. But that same strategy can easily backfire for individual investors, potentially leaving them with lower long-term returns than would have been realized if they had held on to investments through thick and thin. In other words, time in the market — not market timing — may be a long-term investor's best ally.

What Is Market Timing?

Market timing is an investing strategy in which the investor tries to identify the best times to be in the market and when to get out. Market timing is often utilized by professional investors, day traders and portfolio managers who rely on sophisticated economic forecasts and market analysis to attempt to reap the greatest rewards for their clients or shareholders. Proponents of market timing say that successfully forecasting the ebbs and flows of the market can result in higher returns than other strategies.

Market Timing Has Its Risks.

One of the biggest risks of market timing is the potential of missing out on the market's best-performing cycles.

Although past performance cannot guarantee future results, it's worth noting that if you had invested \$10,000 in stocks 10 years ago and missed just the 10 best performing days during that period, you would have ended up with \$14,862. As such, you would have averaged a 4.04% annual rate of return. On the other hand, had you simply stayed invested for the entire 10 years, you would have ended up with \$23,839. That's a 9.08% average annual rate of return.¹

So perhaps the best move for most individual investors — especially those striving to reach long-term goals — is to purchase shares and hold on to them throughout the market's inevitable ups and downs. This is commonly known as a "buy-and-hold" investment strategy.

Use Time to Your Advantage.

A buy-and-hold strategy can help investors accomplish two objectives. First, it may help remove emotion from their

investment decisions.

Rather than become fixated on any inevitable short-term market swings, a buy-and-hold strategy may help investors stay invested and, thus, stay focused on the long term. Second, a buy-and-hold strategy may also help investors take advantage of the power of compounding, which is the process whereby investment principal and any earnings on that principal subsequently generate additional earnings, and so on.



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Buy and hold, however, does not imply that investments are to be ignored. In fact, it is possible that investment needs and goals may change over time. As such, it may be appropriate for investors to review their portfolios with a financial advisor at least annually to ensure that investment decisions and strategies remain consistent with long-term goals.


Time Is Your Ally.

Clearly, time can be a better ally than timing the market. So the best approach is to arm yourself with all the necessary information, and then consider taking your questions to a professional who can help with the final decision-making.

Above all, remember that both your long- and short-term investment decisions should be based on your financial needs and your ability to accept the risks that go along with each investment.

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.

¹Source: Standard & Poor's. Stocks are represented by Standard & Poor's Composite Index of 500 Stocks, an unmanaged index generally considered representative of the U.S. stock market. For the 10-year period ended December 31, 2006. Individuals cannot invest in any index. Past performance is no guarantee of future results.

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Travel, Gift-giving and Much More!

Enjoy your vacation or winter getaway!

Look to DSB's convenient travel cards to help you relax and make the most of your travels.



- *These prepaid cards are not linked to your personal account, giving you extra peace of mind if lost or stolen*
- *Leave your checkbook, check card and charge cards behind — safe at home*
- *Use wherever Visa is accepted, including merchants, airlines and ATMs worldwide*
- *Load the travel card for only \$9.95 plus the load value — from \$250 to \$9,999*
- *Safe and secure — if lost or stolen, your card's balance will be replaced, often within a few hours*



For birthdays, weddings, kids' class trips, dorm supplies and more!

Visa gift cards are the perfect solution for all your gift-giving occasions; plus they're a great, convenient way to send money with your student for school class trips or college dorm supplies.

- *These prepaid cards can be used anywhere Visa is accepted*
- *Load the card for only \$4.99 plus the load value — from \$25 to \$500!*
- *If lost or stolen, the balance is replaceable*

Questions and Answers

Q Why did my check card get blocked?

A Your check card can get blocked for a couple of reasons. One common situation is when you are out of your "normal" purchasing area and DSB receives an alert for possible fraudulent activity. We, then, try to contact you — using the phone and address information we have on file for you — to verify that you have your card and that the purchases are valid. If we're unable to contact you, your card may be blocked.

Therefore, it is important that you advise us any time your phone number or address changes. It's also helpful to let us know, in advance, if you'll be traveling out of the area and for how long — to help avoid possible blocks.


Q When does my check card expire — at the beginning or the end of the month stated on the card?

A Dairy State Bank check cards expire at the end of the month. For instance, if your check card shows a date of 08/08, then you can use your card through August 31, 2008. At that time, the card will expire and you will not be able to use it; however, a renewal card is generally mailed to you a week or two before your card expires.

Q How does the FDIC insurance work when my combined accounts at Dairy State Bank exceed \$100,000?

A Great question! But, too complicated to answer in a brief sentence or two. Please refer to the sidebar article on Page 5 for more information on the FDIC.



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

Supporting *our* Youth

Every year at fair time, Dairy State Bank shows its support of the area's hard-working youth by purchasing their livestock during the fair's auction.

This year, the following livestock were purchased at the Barron County Fair, the Colfax Free Fair and the Dunn County Fair:

- 1,205 lb steer raised by Connor Brantner, son of Steve and Sara Brantner
- 275 lb hog raised by Tyler Knutson, son of Kyle and Tami Knutson
- 248 lb hog raised by Jordan Messing, daughter of Brian and Dawn Messing
- 1,125 lb steer raised by Seth Picknell, son of Cory and Janelle Picknell
- 1,320 lb steer raised by Aaron Sarauer, son of Don and Judy Sarauer
- 1,475 lb steer raised by Krista Styer (pictured below), daughter of David and Karen Styer
- 240 lb hog raised by Jon Thurs, son of Dwight and Kristi Thurs

Congratulations to these young people for their dedication and a job well done! 🐾



Bogus *cashier* Checks

Please be aware of this recent scam. Random consumers have received counterfeit cashier checks and have been asked to be a "secret shopper." As a secret shopper, they're told to make a purchase to rate a merchant's customer service. They're also asked to wire some of the money back to the sender (aka counterfeiter) to rate that service.



In the end, of course, the secret shopper loses a lot: the money they wired back to the scam artist, the money they used to make the merchant purchase and the value of the bogus cashier check. Thus far, counterfeit checks have been cashed in Florida, North Carolina, Washington and Wisconsin. With due vigilance, you can avoid being the next victim. 🐾

CLIP & SAVE

Numbers to call to report a lost or stolen Dairy State Bank Credit or Check Card

If your credit or check card is ever lost or stolen, it's very important that you report it immediately after you've discovered it — to prevent or curtail any fraudulent acts and to minimize your personal liability.

Below are numbers to call — 24 hours a day, 365 days a year — to report a lost or stolen card. These numbers have recently changed, so please clip and save this handy record.

DSB Elan Credit Card

Call toll free: 800-558-3424

DSB Business Credit Card

Call: 866-552-8855

Account Number

Account Number

DSB Visa Check Card

Call toll free: 800-338-8901

International: 414-341-6536

Account Number

You may also call Dairy State Bank's Customer Service Department during normal business hours — at 715-234-9181 (Rice Lake) or 715-235-5511 (Menomonie) — to report a lost or stolen credit card or check card, or if you have questions about your statement.

***** Store in a safe place, separate from your card(s) *****

CEO's message *(continued)*

the recent story of the IndyMac bank failure in California, as well as the challenges being faced by some other larger banks elsewhere in the nation.

The root of the problem

Most of these problems stem back to the overly aggressive lending practices in the residential mortgage market, where we saw the subprime mortgages and other high-risk lending. Without question, these and other poor management practices have created some very challenging times for the financial services industry.

The other side of the story — what you don't always hear

While the financial services arena has had a lot of bad press lately, what doesn't always get shared in the news, is that in the world of financial service providers, **there are many rock solid organizations that did not engage in subprime lending, that managed their resources responsibly and made decisions for the good of their customers**, the community and their organizations. We're proud to say Dairy State Bank is one of those organizations.

In fact, we're happy to report that banks in Wisconsin stack up very well against banks throughout the country. A recent report from the Wisconsin Bankers Association states, "According to the FDIC, bank earnings for the first quarter of 2008 show that Wisconsin banks out-performed their peers nationally. That is due to the Wisconsin banking industry's historical conservative lending culture, as well as to experienced management teams, solid industry capitalization, low loan losses and almost nonexistent subprime exposure."

"... there are many rock solid [financial institutions] that did not engage in subprime lending, that managed their resources responsibly and made decisions for the good of their customers... We're proud to say Dairy State Bank is one of those organizations."

Personally, I believe the strength of Wisconsin banks comes from both solid banking decisions and having good customers to work with.

It's wise to be informed

While Wisconsin banks are solid, we still encourage you to make wise, informed financial decisions, which includes learning about the FDIC insurance backing your deposits. Please take a minute to review the sidebar article on FDIC insurance or visit their Web site at www.fdic.gov/deposit.

As always, thank you for putting your trust in Dairy State Bank and for allowing us to assist you with your banking needs. ➤

FDIC INSURANCE

With the recent media coverage of bank problems across the nation, there has come a renewed interest by many of our customers about their FDIC insurance coverage.

The media's suggestion that a person's total deposit accounts at one financial institution are only insured to \$100,000 is not always true. The FDIC (Federal Deposit Insurance Corporation) has identified various categories of ownership. Each category is subject to different insurance coverage and some can exceed \$100,000.

The most common categories are:

- Single Accounts
- Joint Accounts
- Revocable Trust Accounts
- Select Retirement Accounts

Depending on how your various deposit accounts at Dairy State Bank are titled, they may fall under one or more categories and could carry more than the \$100,000 limit.

To discuss your specific DSB account situation and its FDIC coverage limits, please stop and see any DSB customer service representative.

To learn more about the FDIC and its coverages, please visit their Web site at www.fdic.gov/deposit or stop at any Dairy State Bank for an FDIC-published brochure.

News just for You: New Menomonie office hours, supporting our youth and more!

Time *makes* Money

We've all heard the saying "Time is Money." In the world of personal finance, think of this saying as meaning: **A lot of time and a little money can result in a very sound personal financial picture.**

To illustrate this concept, consider these scenarios:

Scenario #1

Three workers, aged 25, 35 and 45, all decide to save \$40,000 by the time they reach age 65. Assuming a 5% rate of return for the same overall investment of \$40,000, these three workers will realize substantially different gains, as follows:

Starting Age	Savings Per Year	Total Contributed	Accumulated Wealth at 65	Net Gain
25	\$1,000	\$40,000	\$127,163	\$87,163
35	\$1,333	\$40,000	\$92,472	\$52,472
45	\$2,000	\$40,000	\$68,507	\$28,507

While all three workers will enjoy a net gain, **the 25-year-old worker** — whose monthly savings were only \$83.33 versus \$111.11 and \$166.67 — **will reap the greatest benefit** by virtue of starting sooner than the other two.

Scenario #2

Now change the rate of return to 7% and the same \$40,000 will yield these greater gains:

Starting Age	Savings Per Year	Total Contributed	Accumulated Wealth at 65	Net Gain
25	\$1,000	\$40,000	\$218,726	\$178,726
35	\$1,333	\$40,000	\$135,551	\$95,551
45	\$2,000	\$40,000	\$86,823	\$46,823

Scenario #3

For some people, saving \$83 per month may be difficult. Of course, everyone needs to consider their individual situation. But, even a more modest savings habit will yield benefits if you start early and save consistently.

Here are two more examples, using that same 25-year-old worker saving \$25 per month and \$50 per month until retiring at age 65. Again, we'll use the 5% rate of return.

Savings Per Month	Savings Per Year	Total Contributed	Accumulated Wealth at 65	Net Gain
\$25	\$300	\$12,000	\$38,151	\$26,151
\$50	\$600	\$24,000	\$76,301	\$52,301

In all these scenarios, the message is clear: If you start early, save consistently and receive a reasonable rate of return, by the time you reach retirement, you can accumulate a pretty nice nest egg.

To aid you further with calculations and projections like these, the DSB Web site features an easy-to-use calculator tool. Simply go to www.dairystatebank.com, choose Calculators and the link "How much could I save over time?" found under Investment. ➤

"The 25-year-old worker will reap the greatest benefit . . ."

