

notes of. interest



A triannual newsletter for customers and friends of Dairy State Bank

www.dairystatebank.com

Thoughts On This and That



Michael Bock
President

Staff Announcements

Please join me in congratulating Krista Paulus on her recent promotion to assistant vice president.

Krista joined Dairy State Bank in 2000 and has served as branch manager of the Birchwood office since that time.

One of Krista's first major tasks was to help with the office relocation to the current facility. Since then, she

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Krista Paulus

A New Kind of Plastic Currency

In November 2005, we introduced two new plastic currency cards for your travel and gift giving convenience — just in time for the holidays and our winter snowbirds who head south.

These cards are **similar to a merchant's gift card**, in that you load them with whatever dollar amount you wish (within each card's limit), **but different in that our travel and gift cards are accepted anywhere VISA is accepted, worldwide.**

Both cards feature the VISA logo and neither bears the owner's name on them.



Travel Card

The Dairy State Bank travel card is a paperless replacement for travelers' checks, which have become less widely accepted due to fraud issues.

You prepay your travel card with any value between \$250 and \$9,999, at a cost of \$7.95, regardless of the dollar amount you purchase. You can "reload" the card up to three times for a small fee of \$3.95 each. And, unlike traditional travelers' checks, which are limited to one signer, you can purchase additional cards — for your spouse, children or other traveling companions — for an additional fee of \$2.00 per card. These cards can be used anywhere VISA is accepted, **including ATMs for cash withdrawals!**

If lost or stolen, you simply phone in the loss. You have no liability and will have your remaining balance replaced within 24 hours. Our travel card is safer than a credit card. If lost, any fraudulent activity on the card won't be connected to your credit report since your name is not on the card.

Gift Card

The Dairy State Bank gift card is as flexible as our travel card. It can be used anywhere VISA is accepted and **is not limited to just one particular merchant.** In addition to being a fun gift idea, gift cards also work great for teenagers going on school trips or to carry in their wallets for emergency situations.



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There's Still Time to "Pad" Your Nest Egg!

This year you get two extra days to file your 2005 tax returns — due April 17, 2006. That's also two extra days to open and/or fund a 2005 IRA (individual retirement account). Don't miss out on this opportunity to add to your "nest egg."

Dairy State Bank offers both traditional and Roth IRAs.

Traditional IRAs

A traditional IRA is for those who are seeking a deduction for their contribution on their current taxes, **deferring taxes on both the contribution and the earnings** until they are withdrawn at the age of 59-1/2 or older.

Roth IRAs

A Roth IRA differs in that contributions are made with after-tax income and are not tax-deductible; however, **all earnings can be withdrawn tax-free** at the age of 59-1/2 or older, and contributions can be withdrawn at any time, without penalty.*

Annual Limits

The annual limit for both IRAs is \$4,000 for the 2005 tax year, or \$4,500 if you are over the age of 50.

To determine which IRA is best for your personal financial situation, please consult with your tax advisor.

To learn more about DSB's traditional and Roth IRA products, contact your favorite Dairy State Bank customer service representative. ▶

**Contributions made by rolling a traditional IRA over to a Roth IRA cannot be withdrawn until age 59-1/2 or older.*

Business Banking Services for the Electronic Age

Many businesses, today, are moving towards electronically processing more of their banking transactions, with a particular interest in automating payroll. The shift for both suppliers and customers is towards settling transactions by electronic payment rather than by the traditional paper documents that "float" through the banking world.

Dairy State Bank's **online cash management service** is a tool that can help your business move forward in the electronic age. With it, you can:

- ▶ **Manage your business' funds online on a 24/7 basis**, including monitoring your accounts' electronic and daily activities; transferring money between accounts; and making loan payments. Online images of any items that have cleared the bank are also available for review.
- ▶ **Process payrolls electronically**, eliminating the expense and hassle of dealing with traditional paper checks. This is also a convenient, worry-free benefit for your staff, knowing their checks have been automatically deposited.
- ▶ **Use the numerous security features available**, allowing you to selectively set the access controls for each employee according to their different responsibilities.
- ▶ **Authorize your corporate accountant to view** your banking activity online, aiding them in their ability to support your business needs.

For more information on DSB's online cash management service, please give us a call, or go to our website at www.dairystatebank.com, click on Online Banking and select Cash Management. This will provide more information, as well as an online demonstration of the system's features. ▶



NOTICE

To Our Online Banking Customers

In the next few weeks, we will be upgrading our computer system, including the online banking service. You will notice some changes to online banking at that time.

If you have any questions after these changes are completed, please give us a call.

Holiday Hours

Closed in Observance



Memorial Day
Monday, May 29



Independence Day
Tuesday, July 4



Avoiding Common Investment Mistakes



Mike Martin
LPL Investment Representative
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During prolonged periods of market volatility, it is common for investors to feel unsure about managing their portfolios. But prudent investors understand that investment decisions shouldn't be based on the market's twists and turns. Rather, these decisions should stem from an understanding of investment fundamentals and an awareness of the mistakes others have made. Keeping these common mistakes in mind — and the steps to avoid them — may help you in achieving your goals.

MISTAKE #1 Having Unrealistic Expectations

There's nothing wrong with hoping for the best from your investments — it's human nature. However, you could encounter serious long-term cash flow problems if you base financial plans for the future on unrealistic assumptions.

According to an August 2004 Gallup poll, nearly one third of 800 investors surveyed, expected to generate profits of 10% or more in their portfolios during the next year. How did that anticipated return compare with actual historical returns?

Based on data from Standard & Poor's and the Federal Reserve, covering the period 1926 to 2003, a hypothetical portfolio, divided equally among stocks, bonds and cash, would have had an average total return of 7.3% annually.* While the composition of your portfolio may be different from this example, it is important to maintain realistic expectations to have the best chance at reaching your goals.

Although past performance is no guarantee of future results, familiarize yourself with the historical performance of appropriate investment indexes or benchmarks, and use their average long-term returns to help maintain realistic expectations for your own investment returns.

MISTAKES #2 & #3 Chasing "Hot" Investments and Overtrading

Some investors assume that recent investment performance represents the future. The problem with chasing today's winning stocks or mutual funds is that by the time you hear about the latest "hot" performers, you may have already missed out on all or most of the price appreciation.

Chasing past winners is closely correlated with another potential investment mistake: overtrading. Shuffling your investments too often increases the chance you'll buy high and sell low — a worst-case scenario for investment success. Overtrading also generates more transaction costs and fees that cut into investment gains. One potential solution: work with a financial advisor.

An experienced professional can help you stay focused on your goals and

avoid the urge to trade frequently. In fact, studies have found that investors who work with a financial advisor, tend to hold on to their investments longer and realize better returns than do-it-yourselfers.

Of course, investment mistakes do happen, but many are avoidable. Learn from the mistakes of others, start applying these lessons to your investment strategy and make a point of working with a qualified professional.

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.

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

* Past performance is no guarantee of future results. Stocks are represented by the annual total returns of the S&P 500 Index, an unmanaged index that cannot be invested into directly. Bonds are represented by the annual total returns of long-term treasuries (maturities of 10+ years). Cash is represented by the yields of 3-month treasury bills.



**FINANCIAL
SERVICES**

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.

Scam Alert

Here are some of the newest tricks that are being used in our area to try to steal your money. If any of these look familiar to you, contact us immediately to determine if steps should be taken to protect your money or account(s).

eBay e-mails

A customer received an e-mail from a sender who appeared to be with eBay. Since the customer had been a previous eBay user, he did not consider this too unusual. The bogus eBay e-mail asked the customer for a current check card account number, along with his PIN (personal identification number), to make sure their records were current. The scammer then used this information to steal money from the customer's account.

E-mails appearing to be from Dairy State Bank

Someone, claiming to be from Dairy State Bank, sent an e-mail to people in the area asking them to complete a customer survey. In exchange for completing the survey, the customer was to be given a monetary reward. In order to make the deposit to the customer's account, the e-mail asked

the customer to provide his check card account number and PIN.

This is a classic case of "phishing," whereby scammers cast a big net to unsuspecting people, trying to fish out personal information. You may have heard our radio news messages warning people in the area of this scam and reminding them that no financial institution will ever ask for your account number information, since we already have it, and that a PIN is for you and you alone to know.

International travelers' check offer

Another customer, through an Internet contact, agreed to receive and deposit some international travelers' checks into his account at DSB and to send part of the money back by a Western Union transfer. The part he didn't return was to be his "payment" for handling the transaction.

Unfortunately, the travelers' checks were fraudulent and couldn't be used to cover the Western Union transfer. Not only was the customer out his "payment" for handling the deal but he was also personally responsible for the cost of the Western Union transfer.

Calls to confirm your credit card account information

This last scam has caught a number of people off-guard because it sounds so valid.

Scam artists, posing as fraud agents with either Visa or MasterCard, are calling people and claiming that they are investigating a possible fraudulent transaction on your card. The scammers already have all sorts of personal information about you, that they recite to you — your name, address, credit card number and more. What they don't have and are seeking, is the 3-digit security number on the

Moral

Never give a PIN (personal identification number) to anyone, including us at the bank. Your PIN is yours and yours alone and is one of the first defenses in protecting your money.

Think twice before agreeing to handle any kind of international transaction offered over the Internet or through your e-mail. In all likelihood, it is a bogus deal and will leave you the victim.

Only give the 3-digit security number off the back of your credit card to merchants with whom you've initiated a sale. Know that a credit card company will never ask for that number, since they already have it.

Remember, Dairy State Bank will never ask for your account information, since we already have it, and your PIN is for you and you alone to know.

back of your credit card. Once you disclose this, they have everything they need to make fraudulent charges on your credit card.

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Anytime a caller asks you to reveal personal information or to act on an offer that very instant, your safest action is to tell them you will call them back. Then, investigate the legitimacy of the caller, or offer, by calling the police or the bank or the credit card company, using phone numbers that you know are valid. ▶



Beware of Me!

Thoughts (Continued from Front Page)

has served customers in many capacities, but primarily as a lender. Congratulations, Krista!

After 29 years of serving customers, we've recently said good-bye to Marian Stodola. Marian first worked in the Rice Lake and Birchwood offices before making her final stop in the Haugen office. She will be missed by all of us, as well as the many customers she has helped over the years. We wish Marian the very best in her retirement years.

ATMs

If you haven't tried our new drive-up ATMs at the Rice Lake and Haugen locations, we encourage you to do so. On bad-weather days, it's nice to be able to withdraw money without leaving the comforts of your car.

For those of you who have noticed changes to some of our other ATMs, they were the result of replacements needed to bring the latest security features into play.

Scammers – The Sequel

The new year has brought on a renewed wave of tricks and traps to try to get you to give up some of your hard earned money. On Page 4 of this newsletter is a summary of some of the recent scams that we have seen here at the bank. Please exercise caution whenever you're being asked for your bank account or credit card numbers, or considering a "deal" that, probably, is too good to be true.

Thank You!

Finally, thank you for allowing Dairy State Bank the privilege of serving your banking needs. If you have any suggestions on how we can improve your banking experience, please let me or your favorite DSB representative know. ➤



Teller Marian Stodola, retiring after 29 years, is pictured here (second from right), along with (l-r) Cheryl Kemp, Deanna Wickerham and Anna Beutler. Deanna and Anna will assume Marian's responsibilities.

Questions & Answers

Periodically, questions come to us on various topics. We appreciate the opportunity to answer your questions. Here are a few recently presented to the bank.

When do I have to start taking withdrawals from my IRA account?

With a regular IRA, the IRS requires minimum distributions by April 1 of the year following the year in which the IRA holder reaches age 70-1/2. For Roth IRAs, there is no mandatory distribution and contributions can stay in the Roth IRA until the individual's death.

I need a loan but I don't have enough collateral, at this time, to support the credit. Can I pledge my IRA account to secure the loan?

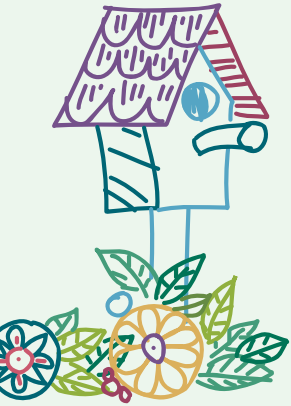
The IRS code is very explicit in this area. If an IRA is pledged as collateral for a loan, the amount pledged is treated as a distribution and must be included in income (*and be subject to regular income taxes*) for the tax year in which the IRA was pledged. Plus, if the owner of the pledged IRA is under 59-1/2, an additional 10% premature distribution tax will apply.

Before taking a step like this, we encourage you to visit your tax advisor to review, in depth, the tax consequences that could result by using your IRA as collateral.

I want my children to eventually receive the money in my certificate of deposit, but I don't want them to have access to any of it now. Can this be done?

You can accomplish this by completing a Payable On Death (POD) beneficiary form for any account(s) you want to go to your children. This form documents your wishes for the distribution of funds upon your death and gives the beneficiary no legal right to the funds prior to your death. Also, a POD form can be modified or revoked any time you wish.

If you have a question for us, please direct it to any Dairy State Bank office and we will be glad to respond. ➤



In This Issue: A New (Fun!) Kind of Plastic Currency

A New Kind of Plastic (Continued from Cover Page)

You prepay the gift card with any value between \$25 and \$500, at a cost of \$4.99, regardless of the dollar amount you purchase. If lost or stolen, the remaining balance is replaceable — where, of course, cash is not!

To purchase either a VISA travel or gift card, stop in any Dairy State Bank office. ▶

Dairy State Bank's New Plastic Currency Cards			
Currency Card	Loadable Dollar Range	Cost	Great For
Travel Card	\$250 to \$9,999	\$7.95	Merchandise purchases, airline tickets, car rentals and ATM cash withdrawals.
Gift Card	\$10 to \$500	\$4.99	Gifts (graduation, birthday, wedding), school trip spending needs and emergency situations.

Accepted Anywhere VISA is Accepted, Worldwide

Another Great Tax-Free Savings Opportunity

If you've wondered whether you were eligible for our new health savings account (HSA), all it takes is one visit to any DSB office to discuss your particular situation.

Come in before April 17, 2006 — the tax filing deadline — **and you can still open a 2005 HSA** and contribute up to \$2,650, if you have single coverage insurance, and \$5,250, if you have family coverage.*

Designed exclusively for those who have high-deductible health insurance, HSAs are used for paying or reimbursing qualified medical expenses

incurred by you, your spouse and your children.

HSA Benefits

- ▶ Contributions are tax-deductible
- ▶ Earnings are tax-free
- ▶ Distributions are tax-free when used for qualified medical expenses
- ▶ Use your HSA funds immediately—there's no waiting period
- ▶ Save your HSA funds for as long as you like, even until your retirement years — there's no penalty

**Contribution limits are 100% of your annual deductible or the above stated limits, whichever is less.*

Did You Know?

Beneficiaries can be named on all deposit accounts at Dairy State Bank — checking, savings, certificates of deposit (CDs) and our new health savings accounts. This can help simplify the probate process related to disposing of the asset in the absence of a named beneficiary.

Assigning a beneficiary on a deposit account — such as a CD — can also be **a simple way to leave a gift without having to change an existing will**, if the beneficiary was not otherwise part of the will.

To assign a beneficiary to your account(s), stop in any Dairy State Bank office. ▶