

Notes of INTEREST

Summer 2011



www.dairystatebank.com

Organizational changes

Every organization goes through staff changes, whether they're due to promotions/advancements or departures/retirements. We are currently going through some of both and would like to share the news with our customers.

The following five individuals have been recognized and promoted.



Clark Yolitz

Clark works mainly at the Menomonie-Oaklawn office and has been promoted to executive vice president. He has been with the bank about 13 years and is involved with commercial lending and location management.

This promotion was for both strong performance and the assumption of new responsibilities as Dale Kastner begins preparing for retirement.



Kelley Draeger

Kelley works primarily in the Rice Lake office and has been promoted to vice president. She has been with Dairy State Bank about 13 years and leads the organization's compliance and audit function.

Continued (page 5)

Inside this issue

- *Organizational changes*
- *College prep: five reasons to study up on 529 plans*
- *Remote banking for business*
- *Notice of change in terms*
- *Online banking getting a new look*
- *Q&A*
- *Website update notice*
- *Funds availability update*



Bank Locations

Rice Lake
16 South Main Street
715-234-9181 • Toll free 866-436-7158

Birchwood
124 North Main Street
715-354-3411

Haugen
103 Third Street
715-234-7006

Prairie Farm
100 Hepburn Street East
715-455-1339

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Menomonie
2405 Schneider Avenue
715-235-5511 • Toll free 888-235-5511

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

College prep: five reasons to study up on 529 plans

Millions of families striving to meet the mounting costs of college have flocked to 529 college savings plans.

For most investors, the plans' main attractions are the potential for federal tax-deferred earnings growth and federal tax-free qualified withdrawals.¹ The plans' aggregate asset limits, which often exceed \$200,000, also appeal to contributors concerned about the potential for a six-figure price tag on a four-year degree. But a closer look at the rules governing 529 plans may reveal other attractive reasons to consider putting them to work as you make one of your most important investments — in your child's or grandchild's future.

Avoid federal gift taxes and accelerate giving

You can contribute up to \$13,000 (or \$26,000 if you and your spouse give and file jointly) to a 529 plan each year without owing federal gift taxes, provided you haven't made other financial gifts to the plan beneficiary in the same year. In addition, you can elect to make a lump-sum contribution of up to \$65,000 (\$130,000 for married couples filing jointly) in the first year of a five-year period, provided you don't give the beneficiary additional taxable gifts during the five-year period.²

Create an educational funding legacy

A 529 plan offers the owner control over the plan, including flexibility in naming and changing its beneficiary.

The beneficiary can be any age and generally can be changed to a qualified relative when needed. For example, if the original beneficiary

decides not to attend college, you can designate a new beneficiary. This flexibility may enable you to establish a college funding legacy for current and future generations. For example, you could open a 529 plan account to pay your child's college bills. Then, if there's money left over after he or she finishes college, you can change the beneficiary to another qualified family member and perhaps later to a grandchild.

Consolidate assets

Consolidating college funding assets for one beneficiary in a single 529 plan can make them easier to manage. Depending on plan rules, you may be able to arrange transfers from a Coverdell Education Savings Account, a custodial account or another 529 plan without triggering federal income taxes. Be sure to review the tax implications with a tax professional, however. Transfers of assets from Series EE and I bonds may also be allowed under certain conditions.

Maximize financial aid eligibility

Money in a 529 account is usually considered by colleges to be the account owner's asset, which often means the parents' asset. As a result, a maximum of 5.6% of the balance is generally assumed to be available for college annually, compared with 35% if the assets were the student's. With a custodial account, on the other hand, the assets are considered the student's. And according to the Department of Education, qualified distributions from a 529 plan are not counted as parent or student income and therefore do not affect aid eligibility.



Brandon Olson
LPL Financial
Representative

Look into state tax savings

Depending on the state you reside in, plan contributions to that state's 529 plan may be eligible for state tax deductions. Don't overlook this potential benefit when choosing a plan. Be sure to talk with your financial adviser and tax professional for help assessing how a 529 plan may affect your tax situation.

¹The earnings portion of nonqualified withdrawals is subject to federal income taxes, a 10% federal tax penalty and possible state taxes and penalties.

²If you die before the end of the five-year period, a prorated portion of the contribution will be considered part of your taxable estate.

Section 529 plans are established and maintained by state governments or agencies or eligible educational institutions. Contributions must be kept in a qualified trust in order to be treated as a qualified tuition program.

You should consider a 529 plan's fees and expenses such as administrative fees, enrollment fees, annual maintenance fees, sales charges, and underlying fund expenses, which will fluctuate depending on the 529 plan invested in the investments chosen within the plan.

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Remote banking for business

Dairy State Bank helps bring the bank to you with our remote banking!

Remote Deposit and Remote Remittance are like having a teller right in your office, enabling you to make deposits without coming to the bank. You simply scan your checks using a tabletop scanner and, then, transmit your deposit to us via a secure Web connection.

Remote Deposit

For remote deposit, all you need is a PC, a small desktop scanner, an Internet connection and Dairy State Bank's Remote Deposit system.

With Remote Deposit, the benefits are many for you and your business:

- Improve cash flow
- Eliminate trips to the bank
- Make deposits 24/7*
- Increase efficiency
- Save time and money

*Deposits made after the cut-off time will be credited on the next business day.

How Remote Deposit works

Your office creates an electronic deposit by scanning each check. The deposit is then transmitted electronically to Dairy State Bank through a secure Internet connection. Once the bank receives the deposit, it is verified and deposited directly into your checking account.

Our Remote Deposit service offers you the equipment and technology that allows you to:

- Capture images of the front and back of each check with one pass
- Prepare deposits and verify image quality
- Securely transmit your daily deposits to the bank
- Research and prepare reports for your previous deposits up to 90 days

Remote Remittance

If your business processes a high volume of payments with checks and payment stubs, you may want to consider Remote

Remittance. Not only does Remote Remittance create an electronic deposit, but it also creates a posting file that can be uploaded to your accounts receivable program to eliminate the need to manually process payments!

How Remote Remittance works

Your office creates an electronic deposit by scanning each payment stub and customer check. Transaction items are reviewed and balanced. The deposit is then transmitted electronically to Dairy State Bank through a secure Internet connection while, at the same time, creating an accounts receivable posting file.

Once the bank receives the deposit, it is verified and deposited directly into your checking account. Then your office uploads the posting file into your accounts receivable program, eliminating the need to manually post transactions.

In addition to the convenient features offered by Remote Deposit, Remote Remittance allows you to:

- Quickly perform payment research
- Upload posting file to accounting software
- View images of checks and payment stubs that were deposited



Contact Dairy State Bank for more information on these services. ➤

Notice of change in terms

The following are changes to the Fee Schedule, effective Aug. 1, 2011:

Duplicate Statement Fee	\$3.00/month
Undeliverable Mail Fee	\$3.00/month
Continuous Overdraft/ NSF Fee	\$5.00/every 5 days after first 10 days
Deposited Item Chargeback/ Redeposit Fee	\$5.00/item
Safe Deposit Box Rent Late Fee	\$5.00

Online banking getting a new look

If you use personal online banking with Dairy State Bank, you'll notice some changes later this year. The entire site is being updated with a fresh, new look and design.

Below is a sneak preview of things to come. You'll find the same great features — easy to use, easy to find — but better! ➤



Questions and Answers

Here are some recent questions that have come to us. If you have a question you would like addressed, please give us a call or you can e-mail it to customerservice@dairystatebank.com.

Q Is there an online source of information to check to see if my deposits are FDIC insured?

A Yes. The Federal Deposit Insurance Corporation (FDIC) has established an online resource they call Electronic Deposit Insurance Estimator, or EDIE for short. EDIE's Web address is www.fdic.gov/edie. Once at the site there are tutorials and guides to help you through the assessment process. This is a comprehensive resource that can assess coverage for deposits of individuals, businesses or nonprofit organizations.

Q If I forget my PIN (personal identification number) for my debit or ATM card, what options do I have?

A To protect our customers' safety and security, the bank does not have access to the current PIN issued to your card. Accordingly, we encourage you to record and store your PIN in a safe and secure location that is separate from your card so you can reference it, if needed. If you do not have this information, a PIN mailer can be ordered at a cost of \$5.00. The mailer will arrive in a plain looking envelope within 5-7 business days, so be careful not to discard it as junk mail. Upon receipt, you will have the option to change the PIN by following the instructions provided in the mailer.

Q Where can I find a good source of information regarding identity theft protection and financial privacy?

A The Federal Deposit Insurance Corporation (FDIC) website has a section titled "Identity Theft & Privacy," which has a number of articles on this topic that are good resources. Go to www.fdic.gov/quicklinks/consumers and look for the heading "Identity Theft & Privacy." Current articles cover such topics as online banking safety, fighting back against identity theft and financial privacy. There are new articles added to this list from time to time so if you find this helpful, mark the sight as a favorite and visit the site periodically.

CEO's message *(continued)*



Jodi Carr

Jodi works mainly in the Menomonie–Oaklawn office and has been promoted to vice president. She has been with the organization about 16 years and is a key player in the commercial and home lending areas of the bank.



Jacob Spies

Jacob has been promoted to assistant vice president. He has been with Dairy State Bank about two years and works primarily in the Menomonie–Oaklawn office, where he is very involved with home loan lending in the Menomonie area.



Jessica Downey

Jessica works mainly in the Rice Lake office and was recently named assistant Bank Secrecy Act (BSA) officer. She has been with the bank about 13 years and is a familiar face in the teller services area in Rice Lake when not working with BSA activity.

Congratulations to these individuals for receiving recognition for a job well done.

In addition to the promotions, we have two individuals that are preparing for retirement.



Tom Shervey

As of May 1, Tom reduced his time to three days per week as he transitions to a full retirement later in the year. Currently a commercial lender in the Rice Lake office, Tom has served the organization in multiple capacities in a very dedicated manner for over 30 years.



Dale Kastner

A second pending retirement is that of Dale Kastner who is currently serving as president in the Menomonie office. Dale will continue on a full-time basis until the end of the year, at which time he, too, will shift to a part-time basis to transition into retirement. Dale has served our organization for about 13 years and was the president and CEO of First Bank & Trust before the merger into Dairy State Bank.

We are very happy that Tom and Dale will be with us for some time yet, and wanted you to know of their upcoming plans. ➤

Website update notice

Dairy State Bank is in the process of updating its website with an expected roll-out early in the summer, exact date to be determined.

This is to let you know we are planning this change and when you see a new look, it really is us.

If you have any questions, please contact any Dairy State Bank office. ➤

Funds availability update

Effective July 21, 2011, the bank's Expedited Funds Availability Policy will be updated to comply with the requirements of the Dodd-Frank Act. What this change means for customers is that it allows for the first \$200 (rather than the current \$100) of a check deposit to be available for withdrawal on the next business day after the day of deposit.

For most of DSB's customers, this will be a non-event because the bank's current policy is to allow funds to be available from our customers' deposits on the first business day after we receive their deposit (that is, the next business day). In some cases, longer delays may apply. If a check deposit is delayed longer than the next business day, the first \$200 of a customer's deposit will be available on the first business day in accordance with the Dodd-Frank Act.



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