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THE LOCK



New Student Debt
Repayment Plan

2012 IRA Cheat Sheet



Social Security & Medicare Figures for 2012

If you receive Social Security or SSI benefits, here's some good news - the Social Security Administration has announced that a cost-of-living adjustment (COLA) will be paid. Monthly benefits will increase 3.6% starting in January 2012 for Social Security beneficiaries and starting on December 30, 2011, for SSI recipients. According to the Social Security Administration, the average increase in monthly benefits will be approximately \$43.

Despite media reports predicting that the COLA increase would be offset by higher Medicare Part B premiums, the Centers for Medicare & Medicaid Services (CMS) have announced that the standard monthly Medicare Part B premium will be \$99.90 in 2012, \$15.50 less than in 2011. However, because the premium for most Medicare beneficiaries has been frozen for the past three years at \$96.40, most beneficiaries will pay \$3.50 more per month. Beneficiaries with higher incomes will pay more than \$99.90 per month because they must pay an income-related surcharge.

While costs vary, the average monthly premium for a Medicare Part D prescription drug plan is estimated at around \$30, approximately the same as in 2011. And Medicare Advantage premiums will be 4% lower, on average, according to CMS.

OTHER SOCIAL SECURITY FIGURES

The amount of taxable earnings subject to the Social Security tax will increase to \$110,100 from \$106,800 in 2011.

The retirement earnings test exempt amount for beneficiaries under full retirement age will increase to \$14,640 per year from \$14,160 per year. If earnings exceed this amount, \$1 in benefits will be withheld for every \$2 in earnings above this limit.

The retirement earnings test exempt amount that applies during the year a beneficiary reaches full retirement age will increase to \$38,880 from \$37,680 per year. If earnings exceed this amount, \$1 will be withheld for every \$3 in earnings above this limit. The amount of earnings needed to earn one Social Security credit will increase to \$1,130 from \$1,120.

Note also that the OASDI payroll tax that was reduced by 2% for wages and salaries paid in 2011 and for self-employment income in 2011 will revert to its normal rate of 6.2%.

OTHER MEDICARE FIGURES

The Medicare Part B deductible will be \$140, down from \$162. The monthly Medicare Part A premium for those with fewer than 30 quarters of coverage will be \$451, up from \$450 (most people do not pay a premium for Medicare Part A). The monthly Medicare Part A premium for those who have between 30 and 39 quarters of coverage will be \$248, the same as in 2011. The Medicare Part A deductible for inpatient hospitalization will be \$1,156, up from \$1,132. Beneficiaries will pay an additional \$289 per day for days 61 through 90, up from \$283, and \$578 per day for stays beyond 90 days, up from \$566. Beneficiaries in skilled nursing facilities will pay a daily co-insurance amount of \$144.50 for days 21 through 100 in a benefit period, up from \$141.50.

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NEW STUDENT DEBT REPAYMENT PLAN

On October 26, 2011, President Obama announced a plan that seeks to help college graduates pay back their federal student loans. The plan is an executive order and does not require approval by Congress. It is scheduled to take effect beginning in 2012.

BACKGROUND

According to the federal government, 36 million Americans have federal student loan debt. Last summer, total student loan debt surpassed credit card debt for the first time, and this year outstanding student loan debt is on track to reach \$1 trillion, according to the Federal Reserve Bank of New York.

In addition, in September, the U.S. Department of Education released data showing that the percentage of student loan borrowers who defaulted in 2009 rose to 8.8% from 7%. That percentage is likely higher now due to the recession, as millions of cash-strapped college students attempt to pay back student loans in a tough economy. According to the Chronicle of Higher Education, last year the unemployment rate for college graduates under the age of 24 rose to 9.4%, the highest level in at least 15 years.

In the meantime, college tuition continues to rise; the College Board recently announced

in its Trends in College Pricing 2011 report that tuition costs for the 2011/2012 academic year increased 4.5% for private colleges and 8.3% for public colleges. The average total cost of attendance this year is now \$42,224 for private colleges and \$21,447 for public colleges. And next July, the interest rate on federal Stafford Loans is scheduled to double--to 6.8%--costing the average borrower thousands of dollars over the life of the loan.

Against this backdrop, the following are the highlights of President Obama's plan.

LOAN CONSOLIDATION

Students who hold both direct federal student loans and federal student loans made by private lenders under the now defunct Federal Family Education Loan Program would be able to consolidate their loans between January and June 2012 into a single government loan at an interest rate of up to 0.5% less. The White House estimates this could help approximately 5.8 million borrowers.

INCOME-BASED REPAYMENT

President Obama's plan will accelerate the start of an income-based repayment program

to 2012 from the original start date of 2014. The program, approved by Congress last year, caps monthly federal student loan payments at 15% of income and forgives all remaining debt after 25 years. Under the new plan, federal student loan payments will be capped at 10% of income with all remaining debt forgiven after 20 years. The White House estimates this could help 1.6 million borrowers.

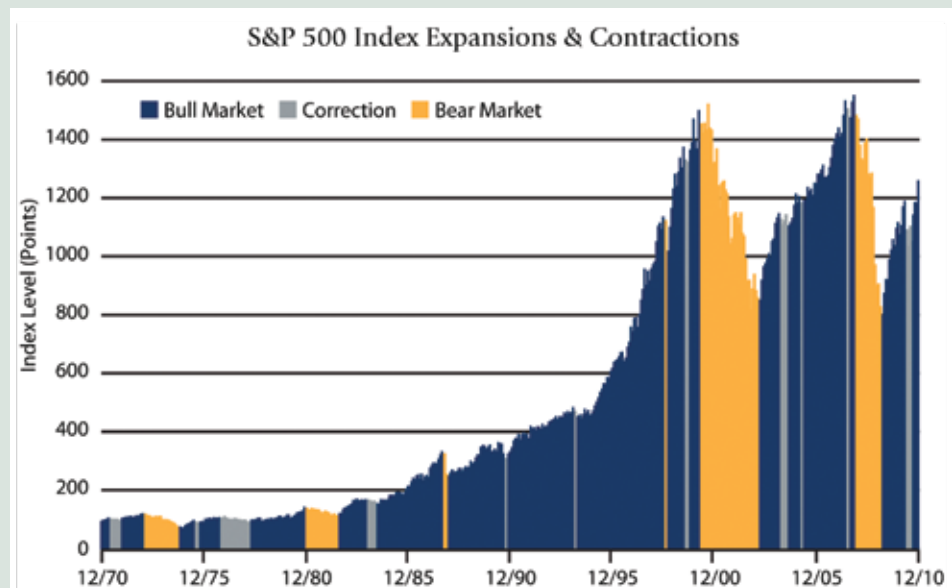
WHO QUALIFIES?

According to the U.S. Department of Education, to qualify for loan consolidation, borrowers must have both a direct federal student loan and a federal student loan under the Federal Family Education Loan Program. To qualify for the accelerated component of the income-based repayment plan, borrowers must take out a loan in 2012 or later and have taken out a loan sometime between 2008 and 2012. Borrowers who are already in default won't qualify.

For more information on the new programs, you can call the office of Federal Student Aid, a division of the U.S. Department of Education, at 1-800-433-3243 (1-800-4fedaid) or visit www.studentaid.ed.gov.

A Long Term Approach Helps Capture Bull Market Performance

"Buy low, sell high", one of the first principles of investing, may not be as easy as it sounds. Market timing is a risky proposition and history has shown that stocks are prone to sudden declines in value. During market recoveries investors may develop a false sense of euphoria. Because it is virtually impossible to predict market declines with certainty, we believe a better way to prosper is to put a well-considered long-term strategy into place. The importance of a long-term approach is evident in the performance of actual bull and bear markets going back to 1971. As you can see in the adjacent chart, bull markets have lasted longer than bear markets. We believe investors who remain committed to their long-term investment plan will continue to be rewarded over time.



Data Sources: Ibbotson Associates & Bloomberg as of 12/31/10

Past performance is no guarantee of future results and there are no guarantees that prior markets will be duplicated. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. The index cannot be purchased directly by investors.



SIGN of the TIMES

COST OF EDUCATION

A child born in 2011 would attend college between the years of 2029 and 2033. If that child attended an average private 4-year college and if the annual price increases for private colleges experienced over the last 30 years (+6.2% per year) continued into the future, the aggregate 4-year cost of the child's college education (including tuition, fees, room & board) would total \$501,000 or \$125,000 per year.

source: College Board

HEALTH CARE COST

From 1985 to 2010, the average cost of one day in the hospital (semiprivate room, Midwestern city) rose +1,366%, an increase of +11.3% per year for 25 years. Inflation in the country over the same 25 years is up +101% or an average of +2.8% per year.

source: Department of Labor

{2012}

IRA Contribution Cheat Sheet

Traditional IRAs

1. No Taxes on Capital gains or dividends
2. Tax-deferred growth - Gains taxable upon withdrawal
3. Contributions are tax deductible

Max Contribution Limits: \$5000
Catch-Up Contributions Age 50+: \$1000 Additional
(Total combined contributions to Roth and/or traditional IRAs may not exceed these amounts.)

Traditional IRA Deduction Limits

Use this 2012 deduction chart to determine your maximum deduction based on income.

If you ARE covered by another plan at work

Your Tax Filing Status	Your Income Modified Gross Adjusted	2012 Traditional IRA Limit
Single Head of household	Beneath \$58,000	Full Deduction
	Between \$58,000 and \$68,000	Phased-out Deduction
	Above \$66,000	Ineligible
Married filing jointly	Less than \$92,000	Full Deduction up to the maximum
	Between \$92,000 and \$112,000	Phased-out Deduction
	More than \$112,000	Ineligible
Married filing separately	Between \$0 and \$10,000	Phased-out Deduction
	Above \$10,000	Ineligible

If you are NOT covered by another plan at work

Your Tax Filing Status	Your Income Modified Gross Adjusted	2012 Traditional IRA Limit
Single Head of household	Anything	Full Deduction
Married filing jointly	Less than \$173,000	Full Deduction up to the maximum
	Between \$173,000 and \$183,000	Phased-out Deduction
	More than \$183,000	Ineligible
Married filing separately	Between \$0 and \$10,000	Phased-out Deduction
	Above \$10,000	Ineligible

For more information, visit: <http://bit.ly/ira-limits>

Roth IRAs

1. No Taxes on Capital gains or dividends
2. Tax-free growth - No tax on retirement withdrawals
3. Contributions are not tax deductible

Max Contribution Limits: \$5000
Catch-Up Contributions Age 50+: \$1000 Additional
(Total combined contributions to Roth and/or traditional IRAs may not exceed these amounts.)

Roth IRA Income Limits

Use this 2012 contribution limits chart to find your maximum contribution based on income.

Your Tax Filing Status	Income (Modified AGI)	Contribution Limit
Single	Up to \$110,000	Up to the maximum
Head of household Married filing separately <i>(and you and your partner did not live together)</i>	Between \$110,000 and \$125,000	Phased-out Contributions
	Above \$125,000	Ineligible
Married filing jointly	Less than \$173,000	Up to the maximum
	Between \$173,000 and \$183,000	Phased-out Contributions
	More than \$183,000	Ineligible
Married filing separately	\$0	Up to the maximum
	Between \$0 and \$10,000	Phased-out Contributions
	Above \$10,000	Ineligible

For more information, visit: <http://bit.ly/roth-ira>

Simple IRAs

1. Employers required to contribute
2. Similar to 401K
3. Easy Setup

Max Contribution Limits: \$11,500
Catch-Up Contributions Age 50+: \$2500 Additional
If you participate in additional salary reduction plans offered by your employer, total contributions may not exceed \$17,000 not including catch-up contributions.

For Employers
Matching Contributions - Up to 3%
Non-elective Contributions - 2% of employee's salary

For more information, visit: <http://bit.ly/simple-ira>

SEP IRAs

1. Contributions are Deductible
2. Highest Contribution Limits
3. Low Administrative Costs

Max Contribution Limits for Self-Employed and Small Business Owners
25% of an Employees Salary or \$50,000 whichever is smaller
Catch-Up Contributions Age 50+: None Allowed

If you participate in additional salary reduction plans offered by your employer, total contributions may not exceed \$17,000 not including catch-up contributions.

For Employees
If your SEP IRA allows for non-SEP contributions, then you can make tax-deductible contributions up to your maximum IRA limit - generally \$5000-\$6000

For more information, visit: <http://bit.ly/sep-ira>



DIAMOND JO CASINO Dubuque, IA - January 18th

Lights are flashing, reels are spinning and with over 975 slots, high-definition displays and the most comfortable experience around, the Diamond Jo Casino is the place to play. The bus will leave Waterloo (Central Christian Church, 3475 Kimball Ave) at 8:30AM and Jesup at 9:00AM. Return to Jesup at 4:30PM and Waterloo at 5:00PM. Price is \$35 per person and includes buffet lunch, \$10 Isle play, a deck of cards and transportation.

For more information or to register contact Cindy at (319) 874-4344 or cpatten@fsb1879.com or Mary Jean at (319) 827-1050 or mbloes@fsb1879.com.



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IS THE ROAD TO **RETIREMENT** LOOKING SCARY?



According to the Congressional Budget Office, the Social Security system paid out more in benefits than it received in payroll taxes in 2010.

Source: CBO



**& PLAN
BEFORE IT'S
TOO LATE**