

Fall 2011



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**FSB Trust
Services**

Building Your Success

TAMMY FLEMING

Trust Officer

Securing Your Financial Future

THE LOCK



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In today's fast-paced world, your time is precious. As financial issues become more complex and you are confronted with many more options, understanding and managing your finances takes a greater share of your attention. The financial advisors at FSB Warner Financial and the trust officers at Farmers State Bank are here to lend you a helping hand with your financial goals.

FSB WARNER FINANCIAL

As financial professionals, FSB Warner Financial can help you sort through the maze of money management options and make choices that are the most suitable for your short and long-term goals. We offer a unified approach to your finances designed to help you save time and money, meeting your goals more efficiently. Serving as your advocate, we assist you in the design and implementation of financial strategies, while providing the products to maximize your wealth. Our goal is to give you maximum control of your financial future by providing the expertise to help you with personal and business issues such as:

- Investment Management
- Insurance Planning
- Retirement Planning
- Practical Tax Planning
- Estate & Wealth Preservation
- Educational Funding

While our financial consultants are happy to conduct transactional business, we do emphasize programs that invest large segments of your assets into programs developed to achieve pre-determined goals. Your individualized program is the result of considerable client-consultant interaction and frequently involves third-party professionals such as money managers, attorneys and accountants.

FSB TRUST SERVICES

You've enriched your life and the lives of those around you. Now, as you consider how to sustain and transition your wealth to the people and institutions you care about most, you should find a trustee that can deliver personalized trust solutions for you.

You first define your goals and an FSB Trust Officer will work with you and your advisors to develop trust solutions that best meet those goals through specialized services designed to support your family, transfer assets and meet your philanthropic and tax-minimization needs.

To achieve your goals we offer a wide variety of services designed to meet complex estate planning needs such as:

- Estate Administration
- Trust Administration
- Investment Management
- Estate Planning
- Conservatorship Services
- Custodial Services

To begin your journey to financial security schedule a 30-minute, no obligation, consultation with one of our financial professionals today.

FSB WARNER FINANCIAL

1-800-747-9999 • www.FSBFS.com

FSB TRUST SERVICES

1-800-372-1879 • www.FSB1879.com

LEAVING A LEGACY

You've worked hard over the years to accumulate wealth, and you probably find it comforting to know that after your death the assets you leave behind will continue to be a source of support for your family and friends. But, to ensure that your legacy reaches your heirs as you intend, you must make the proper arrangements now. Two of the most common ways to leave a legacy are by will or by trust.

WILLS

A will is the cornerstone of any estate plan. You should have a will no matter how much your estate is worth, and even if you've implemented other estate planning strategies.

You can leave property by will in two ways: making specific bequests and making general bequests. A specific bequest directs a particular piece of property to a particular person ("I leave Aunt Martha's diamond brooch to my niece, Jen"). A general bequest is typically a percentage of property or property that remains after all specific bequests have been made. Typically, principal heirs receive general bequests ("I leave all the rest of my property to my wife, Jane").

With a will, you can generally leave any type of property to whomever you wish, with some exceptions, including:

- Property will pass according to a beneficiary designation even if you name a

different beneficiary for the same property in your will

- Property owned jointly with rights of survivorship passes directly to the joint owner
- Property in a trust passes according to the terms of the trust
- Your surviving spouse has a right to a statutory share (e.g., 50%) of your property, regardless of what you leave him or her in your will
- Children may have inheritance rights in certain states

TRUSTS

You can also leave property to your heirs using a trust. Trust property passes directly to the trust beneficiaries according to the trust terms. There are two basic types of trusts: living or revocable, and irrevocable.

Living trusts are very flexible because you can change the terms of the trust (e.g., rename beneficiaries) and the property in the trust at any time. You can even change your mind by taking your property back and ending the trust.

An irrevocable trust, on the other hand, can't be changed or ended except by its terms, but can be useful if you want to minimize estate taxes or protect your property from potential creditors.

You create a trust by executing a document called a trust agreement (you should have an

attorney draft any type of trust to be sure it accomplishes what you want).

A trust can't distribute property it does not own, so you must also transfer ownership of your property to the name of the trust. Property without ownership documentation (e.g., jewelry, tools, furniture) are transferred to a trust by listing the items on a trust schedule. Property with ownership documents must be re-titled or re-registered.

You must also name a trustee to administer the trust and manage the trust property. With a living trust, you can name yourself trustee, but you'll need to name a successor trustee who'll transfer the property to your heirs after your death. A living trust is also a good way to protect your property in case you become incapacitated.

CAUTION:
Leaving property outright to minor children is problematic. You should name a custodian or property guardian, or use a trust.

Unsure how to leave your legacy? Contact Tammy Fleming at (319) 874-4321 or tfleming@fsb1879.com to schedule a 30-minute, no obligation, consultation today.

Are You Investing Enough?

Most Americans haven't tried to figure out how much money they'll need to fund their retirement - so naturally, they don't know if they are saving enough (Employee Benefit Research Institute, 2011). Estimating the amount you'll need and determining how to reach your goal isn't as complicated as you may think. Follow our hypothetical 35 year old investor, Shari, through the two step process, then supply your own numbers. Be sure to revisit your numbers over time so you can adjust them as needed.

STEP 1: Estimate The Amount of Annual Income You'll Need

	Shari	You
What annual income will I need in retirement? <i>Use your current income as an initial estimate</i>	\$50,000	
How long will my retirement last? <i>The average 65 year old woman has a 19.9 year life expectancy</i>	20 yrs.	
What are my available sources of retirement income & what annual income do I expect for each of them?		
Social Security <i>www.socialsecurity.gov/estimator</i>	\$16,000	
Part-time Work	\$10,000	
Income from my retirement savings	\$24,000	
Total	\$50,000	
What is my investment goal? Find it by multiplying income from retirement savings by 20: \$24,000 x 20 = \$480,000	\$50,000	

STEP 2: Figure Out if You're Saving Enough

	Shari	You
How much have I saved already? <i>Retirement account balance</i>	\$20,000	
How many years until I retire?	30 yrs	
What is my current annual contribution to retirement account? <i>It is recommended to contribute 6% of your salary</i>	\$3,000	
What is my expected average annual return on investments?	7%	
What is my estimated savings at 65?	\$446,000	
What's the difference between my investment goal and estimated savings? <i>446,000 - 480,000 = -34,000</i>	-\$34,000	

To make up for any shortfall you'll need to adjust your plan. Your options could include investing more aggressively in the hope of boosting your return, increasing your annual contribution or postpone your retirement.

TAKE A LONG TERM VIEW

Although investing in the stock market has always involved both opportunities and pitfalls, volatility serves as a reminder that it is important to keep a long-term perspective. Consider that in the 84 years from 1926 through 2009, the S&P 500 Index and its predecessor have provided a positive return in 60 years compared to 24 down years. Additionally, major up and down years haven't been as often. As you can see in the tables below, the S&P 500 Index returned greater than 20% 32 times compared to a worse than -20% return 6 times.

Years with 20% or greater return			
1927	37.49%	1967	23.98%
1928	43.61%	1975	37.20%
1933	53.99%	1976	23.84%
1935	47.67%	1980	32.42%
1936	33.92%	1982	21.41%
1938	31.12%	1983	22.51%
1942	20.34%	1985	32.16%
1943	25.90%	1989	31.49%
1945	36.44%	1991	30.55%
1950	31.71%	1995	37.43%
1951	24.02%	1996	23.07%
1954	52.62%	1997	33.36%
1955	31.56%	1998	28.58%
1958	43.36%	1999	21.04%
1961	26.89%	2003	28.70%
1963	22.80%	2009	26.46%

Years with -20% or worse return	
1930	-24.90%
1931	-43.34%
1937	-35.03%
1974	-26.47%
2002	-22.09%
2008	-37.00%

Source: Ibbotson Associates. The performance shown is based on the S&P Composite Index. Currently, the composite consists of 500 stocks (the S&P 500 Index). Prior to March 1957 the S&P Composite consisted of 90 of the largest U.S. stocks. The historical performance figures for the S&P 500 Index are for illustrative purposes only and are not intended to imply or guarantee future performance. 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. Please keep in mind that high, double-digit returns are highly unusual and cannot be sustained. These returns were the result of certain market factors and events which may not be replicated in the future.

72 THE RULE OF

Want to know about how long it will take to double your money - regardless of the amount?

Divide 72 by the average annual return you expect to earn on a given sum.

HERE'S AN EXAMPLE:

You invest \$10,000 and expect to earn an 8% average annual return. To find out how long it will take \$10,000 to grow to \$20,000, divide 72 by 8.

$$72 \div 8 = 9$$

It will take approximately nine years for your money to double in value.



Oktoberfest Cruise Moline, IL - October 12th

Barefoot Becky is back for this favorite 4-hour Polka Cruise down the Mississippi. The cruise includes: Homemade sticky rolls and fruit, 2 entree lunch buffet and an afternoon snack.

Bus pickup in Waterloo at 7:30 and Jesup at 8:00. We will board the Celebration Belle at 10:00am. Ship sets sail at 11:00am and returns at 3:00pm. Will arrive back to Waterloo around 6:00 and Jesup at 5:30.

Price is \$80 per person.

Jumer's Casino - Rock Island, IL - November 9th

Will leave Waterloo (Central Christian Church) at 8:00am and Jesup at 8:30. Stopping at the Cedar Ridge Winery on the way back. Return to Jesup at 6:00pm and Waterloo at 6:30. **Price is \$35 per person and includes buffet lunch, \$5 Isle play and transportation.**

Christmas Brunch - Jesup, IA - December 10th

Starts at 9:30. Reservations due by Dec. 3rd. **Price is \$6.50**

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**