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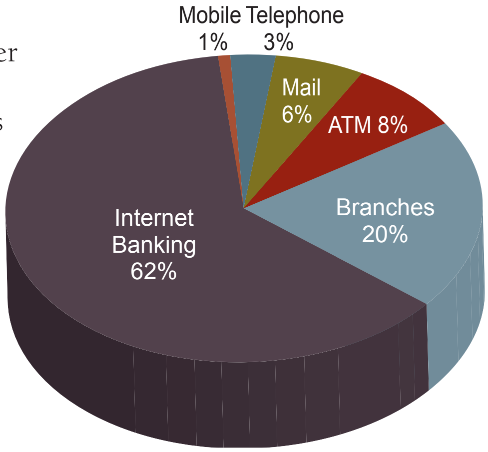
in this issue:

Online Banking: The Convenient Way to Manage Your Personal Finances

Using the Internet to perform day-to-day financial transactions has become the attractive alternative to branch visits in recent years for a growing number of American bank customers. You can pay bills, view account balances and transaction histories, set up automatic bill payments, transfer money between accounts, and even apply for credit cards, mortgages, and other types of loans—from the comfort of home or on the road. With an Internet connection, 24/7 online banking is easily accessible on your laptop, smartphone, or PDA from any location.

The growing appeal of online banking is not limited to a younger age group. According to the most recent survey by the American Bankers Association (ABA, 2011) of more than 1,000 consumers, the most significant increase in online banking was found among Baby Boomers: 57% of respondents age 55 and older said they prefer to bank online compared to a bank branch or an ATM, which is a 20% increase from 2010. Of those surveyed across all age groups, 62% said they prefer online banking, up from 36% last year.



The report indicated that other methods of banking are on the decline: Only 8% of respondents used ATMs, down from 15% in 2010; 3% banked by phone, down by half; and 6% banked by mail versus 8% last year. In addition, only 20% of respondents chose to visit their bank branches in 2011.

The steady rise in online banking's popularity is due to several important factors, such as convenience, efficiency, safety, 24/7 availability, and mobile device access. However, the ABA survey also revealed that overall, only 1% of respondents preferred mobile banking to other methods, down from 3% last year; while 4% of younger adults (16 to 34 year olds) said they preferred mobile banking.

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Riding the Carousel to Retirement

If the variety of **Individual Retirement Accounts (IRAs)** causes you to wonder which type of IRA, or which combination of IRAs, would best meet your needs and goals, you're certainly not alone. Let's take a moment to explore the IRA options.

Traditional IRAs. Contributions to traditional IRAs may be tax deductible and are limited to $5,000 in 2012 ($6,000, if age 50 and older). However, the deductibility of contributions is generally dependent upon one, or all, of the following factors: whether or not you (the IRA owner) are participating in an employer-sponsored retirement program, your tax-filing status, and your **adjusted gross income (AGI)**—taxable gross income less any possible deductions.

If you withdraw money from a traditional IRA before age 59½, you will pay a 10% Federal income tax penalty (plus any income tax due), unless an exception applies. Qualifying exceptions include first-time home purchases, disability expenditures, medical expenses exceeding 7.5% of your AGI, and qualified higher education expenses. At age 70½, contributions cease, and **required minimum distributions (RMDs)** must begin by April 1st of the year following attainment of age 70½.

Roth IRAs. Similar to the traditional IRA, contributions to a Roth IRA are limited to $5,000 per year in 2012 ($6,000, if age 50 and older). It is important to note that the limit applies to the total of all IRAs that a person may hold in a given tax year. Contributions to a Roth IRA are *not* tax deductible, however, and only taxpayers whose adjusted gross income (AGI) falls below certain levels ($110,000 a year for single filers, and $173,000 for joint filers) are eligible to contribute after-tax dollars to a Roth IRA in 2012.

Contributions to a Roth IRA may be made for life (i.e., need not stop at age 70½), and no withdrawals are required until one year following the death of the participant. In addition, qualified distributions, including earnings, are tax free if you've held your account for at least five years and are older than age 59½. Withdrawals made prior to age 59½ may be subject to a 10% Federal income tax penalty, unless certain qualified exceptions apply.

SIMPLE IRAs. Many small businesses have found the popular **401(k) plan** costly to administer. A more affordable alternative may be the Savings Incentive Match Plan for Employees (SIMPLE). Under a SIMPLE, an eligible employee can defer up to the lesser of 100% compensation or $11,500 in 2012. This amount increases up to $14,000 for those age 50 and older.

A SIMPLE IRA must provide immediate vesting, and an employer can either match employee annual contributions on a percentage basis, up to 3% of compensation, or provide a nonelective contribution for all employees of 2% of compensation.There are no annual tax filing requirements and no need for anti-discrimination tests. In addition, both owners and employees have an opportunity to save more than they could with a traditional or Roth IRA.

SEP IRA. The Simplified Employee Pension (SEP) was created by Congress primarily for small businesses to provide a retirement plan without burdensome administrative costs or government paperwork. Only employers can contribute to a SEP, and contributions are limited to 25% of compensation (earned income for self-employed), up to $250,000 or a maximum of $50,000 in 2012. As a result, a SEP IRA may allow higher levels of contributions than any other IRA plan. It is important to note that the limit for owners' contributions for sole proprietorships and partnerships is calculated differently. For more information, contact your tax and legal professionals.

Annual IRA contributions for tax year 2012 can be made up until the filing deadline in April 2013. In a world clamoring for tax simplification, you may find that retirement planning is complex. Therefore, an IRA can be attractive for its versatility and ease of implementation. Congress has provided many options for individuals and small businesses to establish retirement plans, so you may now be able to find the "right" IRA to best meet your needs and goals.

Sharing Important Financial Information with Loved Ones

Suppose you're in the middle of your workday and you receive an urgent telephone call from the local hospital. The caller informs you that your spouse has been involved in a serious car accident and is unconscious. The shock of such a situation can be extremely difficult.

What if your loved one, who has always handled the family finances, were to die as the result of the accident? While you're grieving, it could be difficult to gather important financial records and documents. Would you be able to quickly identify bank account numbers and **insurance** policies, or locate **wills** and other key documents?

Unfortunately, this situation is not uncommon. To avoid such a predicament, it's important to take the time to sit down with your spouse and prepare an inventory of pertinent financial information. Update it regularly as changes occur, and share this information with family members or other trusted associates who may need to know where all the paperwork is located. This type of inventory can prove invaluable to a surviving spouse, another family member, or a close friend who must then manage the financial assets.

Be sure to include the following information in your inventory:

- **Basic data.** Note your full name, maiden name, date of birth, and Social Security number.
- **Financial contacts.** List the names of your lawyer, accountant, insurance agent, and other financial representatives, along with their contact information.
- **Financial assets, liabilities, and account numbers.** Identify all assets, including bank accounts, insurance policies, and company benefits, along with relevant account numbers. Also, note any outstanding liabilities, such as mortgages, loans, and credit card debt.
- **Location of key documents.** Finally, list the location of your will, **trust** documents, tax returns, and insurance policies.

The unexpected death of a loved one is never easy. However, an updated inventory with important financial information could help ease the burden on your spouse and expedite the resolution of your financial matters.

How Much Life Insurance Is Enough?

Determining the necessary amount of life insurance can be complicated, but generally, it would be enough coverage to equal five to seven times your annual salary. However, you may want to determine the appropriate amount of coverage with a careful "**needs analysis,**" rather than using an arbitrary formula. The needs analysis approach incorporates an evaluation of you and your family's most important financial obligations and goals.

The first point to consider is whether your life insurance proceeds will be sufficient to help pay the remaining mortgage on your home. Many people also want life insurance proceeds large enough to help cover their children's college expenses. The amount needed can be roughly calculated by matching the ages of your children against projected college costs adjusted for inflation.

Your spouse's income alone may not be sufficient to cover the monthly expenses of your family's current lifestyle. Providing a supplemental income fund can help your family maintain its standard of living. In addition, life insurance has been recognized as an effective method for establishing liquidity at death to pay estate taxes and maximize asset transfers to future generations.

As you develop an insurance strategy, remember to assess your existing policies. Calculate the additional coverage you may need based on your family's financial obligations and any other resources, such as retirement benefits and savings. Be sure to consult a qualified insurance professional to ensure an adequate amount of coverage for your family's financial protection and standard of living.

online banking: the convenient way to manage your personal finances

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Lower Monthly Fees

The convenience of an online account can save time that would otherwise be spent possibly waiting in line, as well as traveling to and from your branch. Online banking may also offer a more *cost-effective* way to perform your financial transactions. Depending on your bank's online policy and fee structure, you may be able to reduce or eliminate monthly bank fees altogether, as well as get higher interest rates on certain types of accounts. Further, you will not only save on stamps with online bill-paying, but by viewing your monthly statements online instead of receiving paper versions in the mail, you may also be helping to save the environment.

How It Works

To open an online account with your bank, you will first need a user name and password in order to perform transactions. Setting up an online bill-paying system involves registering the bills you pay regularly and specifying which account you will use to automatically pay these bills. If you have monthly bills owing the same amount, you can schedule a recurring payment. Or, if monthly amounts vary, you can arrange to pay those bills on an individual basis. Should a creditor notify you that a payment has not been received that you are certain you made, you will have proof of your attempted payment with an electronic record of the transaction. Bank websites also frequently allow customers to view images of canceled checks or place stop payments on checks.

Safety Precautions

Online banking is generally as secure as other methods, and customers can be confident that bank websites have invested in security systems, such as data encryption, which makes accessing account information practically impossible. A majority of banks also use Multifactor Authentication to guard against phishing, dictionary attacks, and keystroke logging viruses. As an added safety measure, bank websites require customers to answer a series of security questions when the account is opened, and lock out users after a brief period of inactivity.

Customers can perform their own safety checks for tracking account activity by signing up for e-mail alerts when specific transactions occur, checking up-to-the-minute balances, and viewing full transaction histories. In this regard, the easy accessibility of online banking provides a way to closely monitor your account for any potential fraudulent activity or attempts to steal your identity. However, it is *your* responsibility to protect your password, and install a secure firewall and up-to-date anti-virus protection on your computer or mobile device to ensure a safe online banking experience.

Banking on the Future

Nessa Feddis, ABA vice president and senior counsel, commented on the recent surge in online banking. "These survey results tell us for the first time that customers of all age groups prefer the speed and convenience of conducting banking transactions on the internet to visiting their local branch or ATM. They also tell us that customers trust the accuracy and security of online banking," she said.

Based on your individual needs, online banking may be the optimum choice for managing your personal finances, providing safe, convenient access from anywhere at any time, and potentially lower monthly fees and higher interest rates. For more information about online banking or help with opening up or maintaining your account, contact your branch for assistance.