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CHART YOUR COURSE



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AIS Converts to New Broker-Dealer

Anchor Investment Services (AIS) recently converted to LPL Financial as its new broker-dealer alliance in serving AIS clients.

“LPL’s investment products are so robust, I would compare the breadth of our offerings to those of Merrill Lynch,” says Jess Dohner, 1st VP-Program Manager, Investments. “With LPL, we have access to more superior, flexible solutions than we could previously offer.”

About LPL Financial

LPL Financial is one of the leading financial services companies and the largest independent broker/dealer in the nation.* A chief objective of LPL Financial is to reduce the complexity of running a financial services practice so advisors can focus on what they do best—help their clients attain their financial goals and fulfill their dreams.

With headquarters on both coasts, LPL Financial supports financial advisors in helping their clients by offering a robust

mix of services and tools such as:

- Enabling technology
- Comprehensive clearing and compliance services
- Practice management programs and training
- Independent research

LPL Financial understands that providing Americans with unbiased investment advice is critical to their financial security. Because the firm has no proprietary products to sell, LPL Financial advisors can provide truly unbiased, conflict-free advice and investment recommendations.

For more information about LPL Financial, visit www.lpl.com.

**As reported in Financial Planning Magazine, 1996-2011, based on total revenue.*

Securities offered through LPL Financial, member FINRA/SIPC. Insurance products offered through LPL Financial or its licensed affiliates. The investment products sold through LPL Financial are not insured AnchorBank deposits and are not FDIC insured. These products are not obligations of AnchorBank and are not endorsed, recommended or guaranteed by AnchorBank or any government agency. The value of the investment may fluctuate, the return on the investment is not guaranteed, and loss of principal is possible.



A Letter From...

Chris Bauer
AnchorBank
President and CEO

Congratulations to our \$10 iTunes gift card winners: Thomas Hellenbrand, Judith Taylor, David Acker, Paula Bloodsaw and George Schulze. They each responded to *The Nautilus* online survey in the Summer issue.

Thank you to all who took the time to give us feedback. While we plan to keep printing *The Nautilus*, we are looking into ways of providing the option to electronically receive the newsletter. You also asked for more cash/debt management topics, and we explore the decision to either pay off debt or build-up savings in this issue.

Fall is gearing up to be one of our busiest yet. We welcome LPL Financial as our broker-dealer. I'm excited about superior, flexible solutions that we couldn't previously offer.

Finally, I'd like to bring your attention to our annual Toy Drive. This will be our 38th year of bringing gifts to the communities we serve thanks to the kindness of our customers and employees. I urge you to stop by any AnchorBank location November 14–29 and drop off your donation.

Regards,

For questions, comments or more information on something you read, please contact:

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ANCHORING COMMUNITIES TOGETHER

Toy Drive Begins

38 YEARS OF TRADITION



Consider Giving November 14–29

The holiday season is often a good reminder for people to gather with family and rekindle relationships with old friends. AnchorBank's 38th toy drive is a tradition and a reminder to take the time to give to those who may otherwise go without. From **November 14 through November 29**, you can participate in AnchorBank's toy drive by bringing new and unwrapped toys to any AnchorBank location.

All toys collected during the drive are donated to a local children's charity in your neighborhood. This past year Goodman Atwood Community Center, Berlin Memorial Hospital, Harbor House, Platteville Holiday Project, Boys and Girls Brigade and many more were the recipients of our customers' and employees' generosity.

Here are some great gift ideas to consider for children of all ages this holiday season:

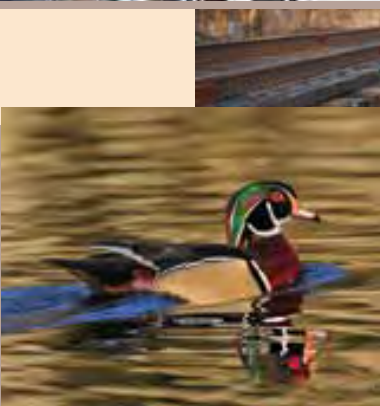
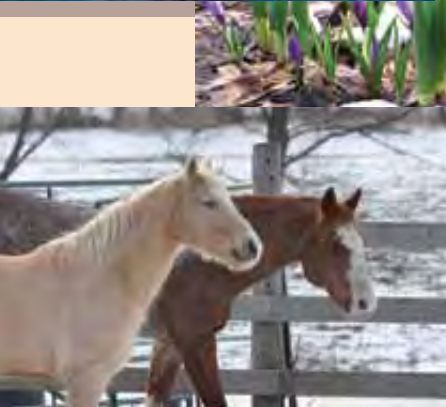
- DVDs
- Dolls
- Board games
- Arts & crafts
- Puzzles
- Books
- Gift cards
- Sporting equipment

In the spirit of tradition, AnchorBank has teamed up for the sixth year with Clear Channel Radio and will partner with 96.3-FM to make the toy drive even more effective. All toys collected at AnchorBank branches within the 96.3 Star Country listening area will be donated to the morning show's toy drive; Operation Toy Drive, and given to children throughout the area. Monetary donations are also accepted. Stop by any AnchorBank branch to find out how you can make a cash donation.

2012 Calendar Contest Winners



AnchorBank
BALANCE YOUR BEST INTERESTS.



More Than
950
Photos
Submitted!

On July 1, 2011, AnchorBank launched its annual calendar photo contest. Over the course of just two months, more than 950 photos were submitted for the chance to be published in our 2012 calendar.

The winning photographers receive the honor of having their photograph appear either on the cover, as a selection for one of the 12 months or as a runner-up. Calendars will be available in branches in November for customers to enjoy, but here's a sneak peak.

January

Kimberly Point Park Lighthouse in Winter—Matt Frank, Neenah

February

Horses in Winter—Roberta Pratt, Sussex

March

Southern Wisconsin Railroad Bridge—Helen Mar Adams, Blue River

April

Purple Crocus Ready for Spring—Beth Holden, Madison

May

Wood Duck in Saxeville—Rich Mayer, Oshkosh

June

Lodge and Cabin at Night in Gillett—Chris J. Christenson, Appleton

July

Flowers at Boerner Botanical Gardens—Kathy Burzynski, West Bend

August

Ephraim Sunset—Dave Biermann, West Bend

September

Old Building in Field—Kris Rauls, DeForest

October

Pumpkin Fence in Door County—Karmen Swenson, DeForest

November

Wheat Field—Andrea Wendorf, Cottage Grove

December

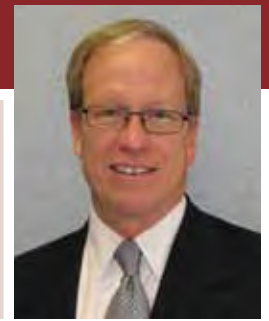
Frost on Holiday Lights—Ruth Forsgren, Chippewa Falls

Lastly, the judges selected the photograph titled Leaf Afloat, taken by Kris Rauls, to grace the cover of the calendar, and Early Morn on Graham Lake, taken by Anne Ross from Neenah, as the photograph above the back pocket.

As you can imagine with hundreds of photos to choose from, there were a lot of entries that our judges wanted to recognize. To that end, a back page features four runner-up photographs.

Customers can pick up their own free copy of the calendar at their neighborhood AnchorBank starting November 1, while supplies last.

You can view all the winning photographs on our Facebook page at facebook.com/anchorbankfsb. While you're there, choose to "Like" AnchorBank if you haven't already.



Scott McBair, Executive Vice President, Retail Banking

“Economy Dilemma—Pay off debt or ramp up savings?”

Q

A

Saving is an important part of every budget and most experts recommend putting away 5 to 10 percent of your income each month. But is this the smart thing to do when you have debt? A savings account certainly helps in the long term while becoming debt-free can be a great way to build a stable financial future.

The question then becomes, am I better off paying my debt or putting that money in savings? Each situation is different, so let's review the factors to help you make an informed decision.

Did You Know?

Rates can play a role in deciding where to put your money to work for you. For example, if you use \$1,000 to pay off a credit card that charges you 18 percent, you could save \$180 per year in interest charges alone. Place that same \$1,000 in savings, and you might make only \$1 per year.

Personal Finance Tools

Go to anchorbank.com to find free Education Guides on cash and debt management. Free online tools under the “Calculators” tab can also help you improve your budget.

Income vs. Expenses

Take a look at your income vs. your expenses. Your income in most cases is your paycheck.

Payments you are committed to are called fixed expenses and include taxes, rent, mortgage payments, loan payments or insurance. Expenses you have significant control over or which change from month to month are called variable expenses. These are things like food (you can avoid brand names at the grocery store), utilities (turn off the lights), clothing (wear it out) and gasoline (car pool).

Your Debt

The first step is to take a look at your debt as a whole. Pull together a list of all the money you owe and figure your consumer debt ratio. Put down every item, no matter how small. You might want to list them largest to smallest and note the interest rate on each debt.

When calculating your consumer debt ratio, you should not include your mortgage, rent or home equity payments. Also exclude credit card expenditures that you pay in full each month. For credit cards, only put down the outstanding

balance, not the amount you pay off each month. Then use your totals to calculate the amount of debt outstanding versus your disposable income.

Too Much Debt?

The following guidelines may help you determine whether to save or pay off your debt:

- If your consumer debt ratio is **10 percent or less**, you are borrowing wisely.
- If your consumer debt ratio is **between 10 percent and 20 percent**, you are borderline.
- If your consumer debt ratio is **over 20 percent**, you may have serious debt problems. Only 5 percent of the population owes such a high percentage of consumer debt. Stop using credit and stop unnecessary spending.
- If your consumer debt ratio is **over 25 percent**, considering getting help. You need to make changes immediately. You may want to consider debt counseling by professionals.

Next Steps

Farnoosh Torabi, credit.com's money expert and personal finance contributor, recently advised that saving money needs to be somehow balanced with paying off debt. How much you save or pay off can be determined by emotions. Would you feel better knowing you had no payments or having three to six months expenses saved in an emergency fund?

One way to build savings is to treat it like a monthly bill. Put aside money before you spend it. Once a month, when you pay your bills, write out a check to deposit in your savings account. Begin by saving 1 percent of your take-home pay the first month and increase the amount by 1 percent each month, more if you can.

Last month, the National Foundation for Credit Counseling released a study that reported 89 percent of Americans value paying down debt over saving. Now it's up to you to figure the balance that best suits your circumstances.

The Home Office Tax Deduction Explained

For years people were afraid using the home office deduction would raise a red flag for auditors, but in recent years Congress has relaxed the rules and the home office is far less likely to attract attention.

To understand the rules regarding home office deductions, we'll start with the basics. Your home office qualifies as your principal place of business if you use your office "exclusively and regularly for administrative or management activities of your trade or business;" and "You have no other fixed location where you conduct substantial administrative or management activities of your trade or business."

The above rules apply even if you maintain another office, as long as you don't use it more than on an occasional basis for administrative or management activities. Now let's look at the requirements in more detail:

You must use your office regularly and exclusively for business.

"Regularly" is generally defined as at least 10 to 12 hours per week, but the time required depends on the nature of your business. If the nature of your work causes you to spend significant time traveling or working remotely, it is critical that when you do need to perform clerical and administrative tasks, you regularly use your home office for those purposes.

Your office must be used for business purposes only. If you use the space for personal reasons, even occasionally, it is no longer deductible. If a home office doubles as a computer room for the family, it does not qualify.

Partial use of a room can still qualify for a deduction, even if you do not create a permanent or physical partition. Keep in mind a partition or other means of physical "separation" can be helpful if your return is audited. A desk in the corner of a room can qualify as an office as long as you only count a reasonable amount of space around the desk as "office" square footage.

To prove you meet the time and use requirements, keeping a log (which can be as simple as making notes on your daily planner) can be helpful if you are audited.

If the space qualifies under the above guidelines, you are allowed to deduct home office expenses.

Home office expenses can be used to offset income, but only to the break-even point; you are not allowed to show a loss. If your expenses do create a loss, you are allowed to carry those losses forward to future years to offset future income. For example, if home office expenses are \$2,000 and you only make \$1,500, \$500 in loss can be carried over to the following year(s).

The keys to taking the home office deduction are to accurately determine the percentage of the home allocated for business use and to keep accurate records of all expenses deducted.

If you have questions, see a qualified accountant or financial professional for individual guidance specific to your situation.



To determine what you can deduct:

- **Calculate the square footage of the home office.** If the office is 12 feet by 12 feet, then the total square footage is 144 square feet. If the office only takes up a portion of the room, measure the space used and multiply accordingly.
- **Determine the total square footage of the home.** If you do not know the number; check blueprints, appraisals or tax bills.
- **Divide the area of the office by the area of the home.** For example, if the home is 2,200 square feet and the office is 144 square feet, the home office uses 6.5 percent of the home ($144 / 2,200 = .065$). 6.5 percent of qualifying home expenses can be written off under the home office deduction.

Qualifying expenses include:

- Rent, mortgage interest, insurance and property taxes.
- Utilities, repairs, garbage pickup, security etc.
- The basis of the home (excluding land) over 39 years as non-residential property. Basis is the price paid for the home or the new value of the home after significant improvements have been made.

Recession of Confidence

Given that corporations are enjoying profit success, economic growth is growing modestly, the muted employment improvement is actually in line with previous recoveries, and economic indicators are signaling modest growth, why has the market continued to lose ground as of late? The issue is that we are indeed in a recession — but, not an economic recession. We are in a recession of confidence.

With the mood decidedly bearish, the market does not believe in this recovery and investors do not have faith that policy makers can avert the second recession in three years. As a result, uncertainty has outweighed optimism and question marks have outpaced clarity. The market is essentially suffering from a recession of confidence.

There is an emerging disconnect between the bearish lack of confidence investors feel and the continued modest economic growth this environment is showing. The more confident consumers feel, the more likely they are to spend money. However, the recent periods have seen a near-historic disconnect, as consumers are filling out surveys suggesting a dismal outlook, but not significantly adjusting their spending.

The “therefore” is that consumers are acting differently than they are feeling. At some point, however, feelings and actions will converge. The market is clearly pricing in that consumer spending will follow sentiment lower and that is certainly possible. However, it takes a lot less effort to change a frown to a smile (sentiment) than it does to significantly alter spending patterns (cancel the cable subscription and the vacation plans, stop going to the movies and out to eat, etc.). As such, there is a better-than-average chance, in our opinion, that confidence and moods improve before consumer actions dramatically deteriorate because of the modestly chugging along economy and the fact that it is difficult to keep Americans pessimistic for long.

What should you be planting now? It is fear and emotional disbelief that often serve as the catalysts to lower expectations — and stock prices — to levels that even market bears see the value of owning. While the market still faces a challenging environment, we believe that now is not the time to search for rocks to hide under, but rather the time to be flipping them over looking for the next potential investment “treasure.”

Equities Look Attractive: Stocks look attractively valued from both a long- and short-term viewpoint. Of all the thousands of strategies used by investors to determine when stocks look appealing, history has made it clear that the most consistently accurate predictor of long-term stock market

returns is the S&P 500 Index price-to-earnings ratio (P/E). The P/E is obtained by taking the price level of the Index and dividing it by the earnings per share over the past four quarters. Essentially, the P/E is how many dollars investors are currently willing to pay per dollar of earnings. It makes sense that the price you pay when you buy a stock can have a big impact on your future return. Currently, this relationship predicts that high single-digit gains are likely, on average per year, for the stock market over the next 10 years.

Despite the fact that the P/E has a compelling track record of forecasting long-term market performance, many investors have been selling and believe that it is different this time given the debt troubles of developed nations, European credit problems, and uneven economic data, among other concerns. We do not dismiss these issues. However, investors have always faced challenges. Since 1928, the S&P 500 has weathered massive bank failures, a dozen European countries defaulting, a world war, double-digit inflation, top marginal income and dividend tax rates of about 90 percent, the percentage of U.S. government debt-to-GDP at double the current level, not to mention the Great Depression. And yet, through all of these unprecedented events the P/E remained a consistently accurate forecaster of future long-term returns and it is currently flashing that stocks look attractively valued from a long-term perspective.

Conclusion: Recently, uncertainty has outweighed optimism and question marks have outpaced clarity. With the mood decidedly bearish, the market does not believe in this recovery and investors do not have faith that policymakers can avert the second recession in three years. But, it is fear and emotional disbelief that often serve as the catalysts to lower expectations — and stock prices — to levels that even market bears see the value of owning. While the market still faces a challenging environment and has a wall of worry to overcome, we believe that turning over rocks in search of the next potentially great investment opportunity could be the best strategy to help take advantage of this bout of uncertainty and serve as yet another example of the resiliency of the markets, the global economy and American business.

Amy Gold is an LPL Financial Consultant at Anchor Investment Services, a division of AnchorBank. She has 10 years of experience in the financial industry.



Planning for Retirement? Don't Overlook an IRA

Nearly 50 million American households own an individual retirement account (IRA).¹ While the IRA has evolved into a popular retirement savings vehicle—with more than \$4 trillion in total assets—it is often an overlooked component of most investors' financial planning strategies. In fact, over the past two years, only 15 percent of households that were eligible to contribute to an IRA did so.¹

Have you forgotten your IRA? Should an IRA be part of your overall investment plan?

Appealing IRA Benefits

Whether you are an active accountholder or just considering opening an IRA, there are many appealing benefits to this retirement savings vehicle.

Tax Deferral: Traditional IRAs allow your investment earnings to grow tax deferred until withdrawn, typically at retirement. For 2011, the maximum contribution is \$5,000, but for those aged 50 and over, the limit is \$6,000. The limits are the same for a Roth IRA, but to be eligible to fully contribute, an investor must have a 2011 modified adjusted gross income of less than \$107,000 for singles and \$169,000 for married couples filing jointly. Singles earning up to \$122,000 and couples earning up to \$179,000 are eligible for partial contributions.

Deductibility: If you are a single taxpayer who doesn't participate in an employer-sponsored plan and you earn less than \$56,000 in 2011, you can deduct your contributions to a traditional IRA off your income taxes. Couples earning under \$90,000 are also eligible for a full deduction. Partial deduction limits also apply, up to \$66,000 for singles and \$110,000 for couples. Note that Roth IRA contributions are not deductible.

Investment Flexibility: IRAs typically give investors access to a wider range of investment options than workplace-sponsored plans such as a 401(k). Depending on the financial institution you use to open your account, you can invest in a broad array of mutual funds, ETFs, individual stocks and bonds, CDs, annuities, even commodities and real estate.



If you'd like more information about opening an IRA, contributing to your existing IRA, converting to a Roth IRA, or to discuss any other aspects of your retirement goals, call 1-800-236-6789 for a complimentary consultation with a financial consultant at Anchor Investment Services.

Convertibility: Traditional IRA holders can convert to a Roth IRA to enjoy some of the additional benefits listed below. But before you decide make a switch, be sure to investigate the tax consequences of such a move.

Additional Roth IRA Benefits

Qualified Tax-Free Withdrawals: Since Roth IRAs are funded with after-tax dollars, your withdrawals are tax free, as long as you have held the account for at least five years and are over age 59 1/2.

No RMDs: Unlike traditional IRAs, Roth IRAs are not subject to required minimum distributions (RMDs) once the accountholder reaches age 70 1/2.

Shane Meyer is an LPL Financial Consultant at Anchor Investment Services, a division of AnchorBank. He has been in the investment services industry since 1988.



¹ Source: Investment Company Institute, *The Role of IRAs in U.S. Households' Saving for Retirement*, December 2010 (<http://www.ici.org/pdf/fm-v19n8.pdf>). IRA account owners should consider the tax ramifications and other restrictions in regards to executing a Conversion from a Traditional IRA to a Roth IRA. The converted amount is generally subject to current year income taxation. ©2010 Standard & Poor's Financial Communications. All rights reserved.



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NEWS YOU CAN USE NOW

Visa Super Bowl XLVI Sweepstakes



When you use your AnchorBank Visa card or any Visa card between now and December 27, 2011, you'll be automatically entered for a chance to go to Super Bowl XLVI for yourself and 10 friends.

One Grand Prize Winner Will Receive:

- Trip for winner and 10 friends
- Airfare to Indianapolis
- 5 days, 4 nights hotel accommodations
- Transportation to and from the event
- \$100 prepaid Visa cards for the winner and his or her guests

You may visit the sweepstakes landing page at anchorbank.com/nfl for more details and official rules. For more information, visit visa.com/NFL.

you could win a trip to
Super Bowl XLVI
for you and 10 friends



VISA 

Use your Visa® card between
September 8 and December 27, 2011.

 You'll be automatically entered for a chance to go to Super Bowl XLVI with 10 friends. The more you use your Visa card, the more chances you have to win.

grand prize

- ▶ Trip for winner and 10 friends
- ▶ Airfare to Indianapolis
- ▶ 5 days, 4 nights hotel accommodations
- ▶ Transportation to and from the event
- ▶ \$100 prepaid Visa cards for the winner and his or her guests

For more information, visit visa.com/NFL.

NO PURCHASE OR OBLIGATION NECESSARY TO ENTER OR WIN VISA SUPER BOWL XLVI SWEEPSTAKES. Non-Purchase Entries and Purchase Entries have an Equal Chance of Winning. Open only to legal U.S. residents 18 or older as of 9/8/11. For details on Non-Purchase Entries, see Official Rules on reverse of all Visa cards. Voided and Void Entries may not include Void in Puerto Rico and where prohibited. Ends 12/27/11. Sponsored solely by Visa U.S.A. Inc.