

BankNotes

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A Message from the CEO

PLANNING FOR TODAY AND LOOKING FORWARD TO TOMORROW

Many of you have noticed the new construction to the east of our main bank on Burlington Avenue. You might be wondering why a bank would be expanding its footprint in this difficult economy. The simple answer is: just as you and your family are planning for your futures, we too are planning for our future at First National Bank of LaGrange.

Over the past ten years, FNBLG has grown from approximately \$120 million to over \$300 million in assets. Also during this period the Trust and Investments division of the Bank has grown to over \$600 million in assets under management. In order to continue to deliver the superior customer service you have come to expect, we spent a significant amount of time analyzing every facet of the bank's operations.

After much consideration, we decided to purchase the property to the east of the main bank and convert it to our Trust and Investments division and the holding

company offices. By adding 6,000 square feet of office space and conference area, the new building, or 'Annex' as we call it, will provide Trust and Investments with the space needed to continue to deliver top-caliber trust services to its growing customer base. Their relocation will enable us to upgrade and optimize the space in the main bank to continue to serve our growing deposit and loan business.



In the current economic environment, many banks – especially community banks like ours – are not willing or able to make significant investments in their futures, let alone new investments in “fixed assets” such as buildings and infrastructure.

The construction of the 'Annex' is not just an investment in the Bank, but also in the community and in our capacity to serve you, our customer. The moving and remodeling will require a significant commitment of time, resources and patience.

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We view the 'Annex' as an investment in FNBLG and the community. We hope that you'll see more than just a new building; we hope you'll see this as a commitment to the future of FNBLG as an independent community bank looking to serve you and the greater LaGrange community.

Best Regards,

John J. Madden

CEO - First National Bank of LaGrange

SUCCESSFUL INVESTING: *It's All in the Preparation*

By Michael O'Reilly and Michael Lahti

The secret to a great paint job is not so much in how you put on that final coat of paint – the part of the job that everyone sees – but rather in how you do the preparation like washing, scraping and priming. Likewise, we believe the secret to creating a successful investment strategy lies primarily in how you do your preparation – before you invest.

Take the time to build a complete picture of your financial situation

◆ List all of your current assets and liabilities; include in this step how each asset is titled – that will become important later in the process.

◆ Detailed budgeting is not necessary, but be aware of your income compared to your recurring living expenses.

◆ Build a general understanding of your income tax situation; for example, what income tax bracket are you in?

Identify your personal goals and objectives

◆ What kind of lifestyle do you want to achieve?

◆ How much do you need to save for college expenses or other major expenses and purchases that you anticipate?

◆ When do you want to retire and at what income level?

Creating a personal investment strategy, including all of the preparation, is a process that some people can do on their own, while others are better off hiring an advisor for guidance.

When investing, the key is to define success rationally and to avoid living beyond your means. By having the discipline to accurately identify your resources and needs, as well as to have realistic expectations for investment performance, your chances for success are greatly increased.

◆ How do you want to pass your wealth to the next generation and do you want to create a charitable legacy?

◆ What risks do you need to manage?

Identify business or personal concerns in your family. Health and life insurance are common risk management tools.

What is your tolerance for financial risk?

◆ How much time do you have to achieve

your goal? For example, is retirement four years away, or forty?

◆ How much can you afford to lose? The more wealth you have compared to your needs, the more risk you can afford to take.

◆ What is your personal risk tolerance? Can you tolerate the inevitable periods of time when your investment values are down?

◆ Remember that your risk tolerance may be different for each investment pool you have. Your 401k balance may have a time-horizon of forty years, while your college savings balance has a time-horizon of four years.

After diligently completing your preparation you're ready to begin creating and executing your personal investment strategy by choosing the asset allocations and specific investments that most effectively achieve your goals.

We hope this discussion provides you with food for thought. At First National Bank of LaGrange, we want all our customers to be "successful" investors.

Next Time: Building an Investment Portfolio.

The only certainty in a financial or investment plan is that it will grow stale. Real life always turns out differently than you or even the "experts" expect. The only good investment plan is one that is re-examined and adjusted on a regular basis – upon the happening of a life event and at least annually.

THE GIFT OF GOOD PLANNING

Trust & Investment Strategy for this Quarter



By Michael G. O'Reilly, Executive Vice President

We are thrilled to be in our new offices, just due east of the main bank building on Burlington Avenue. Not having "Trust & Investments" in our bank name has not impeded our growth over the years. As I write, the department has more than \$625 million in assets under management. Compare that to the \$36 million back in 1990 when our longest tenured team member, Senior Vice President Chris Joyce, came on board. Nonetheless, this beautiful new building symbolizes our commitment to the Trust & Investments business, and it calls attention to the varied services and competencies that we offer to the local community and beyond.

Our twelve-person Trust and Investments team includes five attorneys. While by law we cannot draft estate plans or trust documents, our experienced staff will work side-by-side with your other advisors to tailor plans that meet your exacting specifications. Our niche is working with families and closely-held business owners: managing and protecting their wealth, minimizing income and estate taxes, and implementing strategies for the transfer of that wealth to future generations and preferred charities. We have purposely shied away from the institutional trust business, which includes

the administration of qualified employee benefit plans; however we do provide trustee and investment advisory services for IRAs and IRA rollover accounts.

Typically, most of this column is devoted to a timely investment or tax strategy meriting your consideration. However, I would be remiss if I did not call attention to the recent retirement of Vice President and Trust Administrator, Ruth Dedek. After 46 years of exemplary service to the bank and her customers, Ruth chose to retire at the end of September. She will be sorely missed by her colleagues and customers.

Tax Changes on the Horizon

While our move to the 'Annex' is an example of a positive change, the looming increase in income and estate tax rates is an example of a negative change. When the Bush Administration tax cuts were implemented back in 2001 and 2003, the legislation included "sunset provisions", which means the changes will revert back to 2001 tax law on January 1, 2011. As a result, middle-income taxpayers are likely to experience significant tax increases. Here is a selected list of tax changes that may occur on January 1, 2011:

- ◆ The 10% tax bracket will expire, reverting to 15%.
- ◆ The child tax credit will fall from \$1,000 to \$500.
- ◆ The long-term capital gains rate for middle- and upper-income people will rise from 15% to 20%.
- ◆ The tax rate on qualified dividends earned by middle- and upper-income people would rise from 15% to ordinary wage tax rates.
- ◆ The 25% tax rate would rise to 28%.
- ◆ The 28% rate would rise to 31%.
- ◆ The 33% rate would rise to 36%.
- ◆ The 35% rate would rise to 39.6%.
- ◆ The annual gift tax exclusion amount will drop from \$13,000 to \$11,000 per donee.
- ◆ The estate tax would be restored with an exemption equivalent amount of \$1 million per person and rates that top out at 55%.

To illustrate the impact of the tax hikes, bearing in mind that this is a simplistic look at income with no deductions or other factors, let's look at two real life examples:

- ◆ For a family earning \$50,000, the tax bill would be \$2,763 under current law.

The bill would increase to \$3,878, more than \$1,000 more, in 2011.

- ◆ For a family of four with \$250,000 of income, their tax bill is \$51,701 under current law.

That same family will pay tax of \$59,341 in 2011, a \$7,640 increase.

As the saying goes, "death and taxes are inevitable", but you have the opportunity to plan for both. Given the changes heading our way, take the time to review both your financial plan and your estate plan. If you do not have a trusted advisor, give us a call for assistance. We know many excellent attorneys and accountants who can help you navigate through the tax changes, and we can provide objective investment advice tailored to your goals, risk tolerance, and time horizon.



New 'Annex' building located at 600 West Burlington Avenue.

FNBLG TRUST AND INVESTMENTS

Our Team is Committed to Your Success

The FNBLG Trust and Investments department works with families and closely-held business owners to manage and protect their wealth, minimize income and estate taxes and implement strategies for the transfer of that wealth to future generations and select charities.

Michael G. O'Reilly *Executive Vice President & Chief Trust Officer*



After five years serving as an Executive Vice President of FNBLG, Michael O'Reilly assumed the role of Chief Trust Officer of FNBLG Trust & Investments in 2007. He also serves as Secretary of F.N.B.C. of LaGrange, Inc.

In addition to his management responsibilities for all trust activities, Michael focuses his time managing investment portfolios for families, businesses and non-profit agencies.

Michael earned his B.B.A. from the University of Notre Dame and his J.D. from the University of Notre Dame Law School. He is a Certified Financial Planner and is a member of the Chicago Bar Association. Michael can be contacted at 708-482-7700 or moreilly@fnblgrange.com.

Christopher P. Joyce *Senior Vice President and Chief Trust Administrative Officer*



Chris works closely with clients, their attorneys, accountants, and insurance advisors to form a team that will provide the client with the best possible investment and financial advice. He will also involve

other members of the FNBLG team so that their personal expertise is available to the client.

Chris has more than 37 years of banking and trust experience, and has worked in all areas of trust administration, including investments and estate planning strategies. Chris has worked at the FNBLG for 20 years. Chris is a graduate of the University of Illinois, Urbana-Champaign and of the

John Marshall Law School. He is a member of the DuPage County Estate Planning Council and currently serves as chairman of the finance committee, LaGrange Memorial Hospital Foundation. Chris can be reached at 708-482-7700 or cjoyce@fnblgrange.com.

Michael B. Lahti *Senior Vice President and Trust Officer*



Michael Lahti has more than 26 years experience in trust and estate administration and investments and has worked on numerous types of trust, tax and wealth planning strategies as well as the legal responsibilities of being a trustee. Michael began his career in 1983 with a Chicago area community bank, subsequently spending 10 years with a major Chicago financial services firm. He joined First National Bank of LaGrange in 2009.

Michael works closely with his clients' personal attorneys, accountants and insurance advisors to ensure superior service and coordination. In addition, he works closely with other members of the FNBLG team to provide comprehensive wealth management capabilities to help clients meet all of their financial goals. Michael is a graduate of the University of Illinois College of Law and is a member of the Illinois State Bar Association, the Chicago Bar Association

and the Chicago Estate Planning Council. He can be contacted at 708-482-7700 or mlahti@fnblgrange.com.

Anne Freund *Vice-President and Trust Officer*



Anne administers trusts and estates and works with families who have relatives with special needs, disabled adults, and children. She has close affiliations with attorneys, accountants, case managers, and the Probate

Court in protecting the client's assets while providing for their needs.

Anne has over 37 years of trust experience. Before joining FNBLG, Anne worked for many years at a major Chicago bank where she was primarily responsible for the administration of Trusts, decedent's estates, and estates for disabled persons and minor children. She is a graduate of St. Xavier University, is a certified paralegal and is a member of the Chicago and DuPage Estate Planning Councils. Anne can be contacted at 708-482-7700 or afreund@fnblgrange.com.

Lenore McCarter *Assistant Vice-President and Trust Officer*



As an Assistant Vice President of First National Bank of LaGrange's Trust and Investments Services, Lenore works primarily with preparing guardianship court accountings and reporting their financial

activity to the court. She has been part of the FNBLG team for over 15 years. Before

Trust Operations: *The Backbone of the Trust & Investments Department*

Operations in the trust world is the "back office" from which all securities processing activities, cash movement, reconciliation, accounting, and customer statement services are provided. This includes trust, retirement, custody, and investment management accounts. We also provide support for our Trust Administrators.



Left to right: Rita Phillip, Clare Murphy, Judiann Pyle.

IT'S A GIRL! NOW WHAT?

By MICHAEL "Grandpa" LAHTI, *Senior Vice President and Trust Officer*



Kaelyn

working at the Bank she worked in the Custody Division at The Northern Trust. Lenore has a J.D. from Loyola University and serves on a cook team for the BEDS program. Lenore can be contacted at (708) 482-7700 or lmccarter@fnblgrange.com.

Ramona Zavattaro

Vice President and Trust Officer



As an officer of FNBLG's Trust and Investment Services, Ramona assists the Bank's customers in preserving and transitioning their wealth for future generations.

Her expertise is in coordinating activities related to creating and administering personal, probate, and court-ordered guardianship trusts.

Ramona has 48 years of trust experience and has worked in all areas of trust administration and operations. She started her career in 1961 at The Northern Trust Co. of Chicago and worked for 28 years in the trust department of a suburban bank, including five years as manager and senior officer of the Trust Department. She joined First National Bank of LaGrange in 2001. She can be contacted at 708-482-7700 or rzavattaro@fnblgrange.com.

Christine A. Campbell

Vice-President and Trust Officer



Christine A. Campbell is the newest member of our Trust and Investments team. She is serving as Vice President and Trust Administrator. Before joining FNBLG she was an Estate Settlement

Officer in the Guardianship Unit with JP Morgan Chase. Christine has a J.D. from the John Marshall Law School and has over 30 years of legal experience. Christine can be contacted at (708) 482-7700 or ccampbell@fnblgrange.com.

My wife, Diane, and I recently experienced the joy of the birth of our first grandchild. We were fortunate enough to be at the hospital in time, though we were long confined to the "family waiting room." Finally, a nurse came in to tell us that the baby had arrived – a girl now known as Kaelyn – and that Kaelyn, Mom, and Dad were all doing fine.

Since that day, I've found that an advantage of being a grandparent is to be able to step back and reflect upon the big picture (a luxury not necessarily enjoyed by the new parents). Upon reflection, it occurs to me that the birth of a child is one of the most important times to think about estate planning. Given the time and energy required to care for an infant, most new parents do not get any farther than, "how are we going to pay for college?"

Babies are completely dependent upon their parents, physically, spiritually, and financially. This dependence, in various forms, will continue well into young adulthood. So what happens if one or both parents are suddenly not there? What planning should be in place?

Here are five estate planning hints for new parents:

Review Insurance.

Life insurance can replace the earnings power of a lost parent. Often forgotten, but maybe even more important, is long-term disability insurance in case a parent becomes unable to work due to illness or injury.

Will.

A will is a document where you leave instructions on what happens to your assets upon your death and provides very important protections for your child. Your will is also where you designate your child's guardian – the person you want to raise your child in the absence of a surviving parent. Your will is also where you name your executor – the person who, upon your death, will protect your child's interests and see that your assets get into the right hands.

Trusts.

What is a baby (or teenager) going to do with all that money? If parents do not put a trust in place, assets left outright to their young child are going to be handled in a court-supervised, public proceeding. *And ...* the child will receive it all upon reaching the age of 18. I find that thought to be a bit scary. But a well-drafted trust can provide for almost any arrangement you can think of, including postponing outright possession until whatever age you feel is appropriate. The trustee that you choose, whether an individual or a bank like ours, can manage the funds according to your instructions, and will be held by law to the highest level of duty and accountability. That sounds better.

Beneficiary Designations.

A will or trust does not alone control where life insurance or retirement plan proceeds (like IRA or 401k balances) go. You must properly complete a beneficiary designation for each of those and file them with the insurance company or retirement plan provider. Beneficiary designations should be coordinated with the terms of the trust and will.

Powers of Attorney.

Powers of attorney for health care and property are crucial to allowing one parent to continue to manage family affairs should the other become disabled or unavailable.

This is just a basic list, but as I told Kaelyn's parents, it is a good place to start. If you have any questions or would like to have a discussion about estate planning for parents, please feel free to stop by our office. When you are ready, there are many qualified estate planning attorneys in the western suburbs who can draft the documents for you. We encourage you to go see one of them soon. But now, it is a fine Fall day, and it's time for Grandpa to take Kaelyn out for a walk in her stroller.



FALL 2010

BankNotes

THE COMMUNITY'S TRUSTED BANKING PARTNER SINCE 1925



We've always managed our business prudently, and profitably, with a focus on serving the community. Isn't that what being a fiduciary is all about?

*Personal Trust • Estate Settlement
Guardianships • Investment Management*

Contact Michael Lahti - mLahti@fnblagrange.com
or Anne Freund - afreund@fnblagrange.com

FNB LG

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