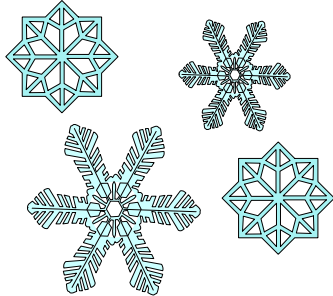


Kinderhook State Bank Newsletter



“Serving Our Community Since 1919”

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Happy New Year!!

2005 Legal Holidays Observed

The bank will be closed these dates:

January 17 - Martin Luther King Jr. Day

February 21 - Presidents Day

May 30 - Memorial Day

July 4 - Independence Day

September 5 - Labor Day

October 10 - Columbus Day

November 11 - Veterans Day

November 24 - Thanksgiving

December 26 - Christmas

Christmas Club Winners

December 4, 2004 was the last day to open a Christmas Club. Our winners for opening the 25th and 50th clubs were **Jan Gorton** and **Bill McDonald**. Our Gand prize winner was **Barb Epley**, and our other 4 winners drawn were **Barb Miller**, **Pat Scranton**, **Elizabeth Walker**, and **Bonnie Dolbeare**.

Congratulations to all Club Winners!!



2005 State Quarters

California

Minnesota

Oregon

Kansas

West Virginia



Santa was very busy handing out gifts to all the boys and girls Saturday, Dec. 18th. Thanks for coming Santa, and to the Kinderhook Park Committee for coming also. We hope to see everyone again next year!!



You can have everything in life you want, if you will just help enough other people get what they want.

- Zig Ziglar



Planning For the Future Retirement Strategies

It is never too early to start saving more for retirement. Tax reform over the past several years has made certain planning opportunities better than ever. Chances are you still have time to accumulate sufficient retirement assets, provided you plan ahead, stay disciplined, and regularly review your strategies.

Fortunately, Congress is still working on ways to help you save for retirement. We can help you make sense of your options, as well as advise you on how recent tax law changes will impact plans you currently have in place. By choosing retirement vehicles with tax benefits, you can save money now and later.

Individual Retirement Accounts (IRAs)

IRAs remain an attractive option for retirement savings. The amount you can contribute each year to your IRA is scheduled to increase. The current contribution limit of \$3,000 will jump to \$4,000 for 2005 through 2007, and to \$5,000 in 2008 (adjusted for inflation thereafter). If you are age 50 or older, you can contribute an additional \$500, and this limit will increase to \$1,000 in 2006. The total of your contributions to one or more IRAs may not exceed these limits.

Contributions to a traditional IRA may be tax deductible, depending on your income and participation in an employer-sponsored retirement plan, and earnings grow tax deferred. Deductions phase out for those who are active participants in another plan as follows: for single filers with AGIs between \$45,000 and \$55,000, and for joint filers with AGIs between \$65,000 and \$75,000.

A “nonparticipant” spouse may make a deductible IRA contribution, as long as the couple’s AGI is less than \$160,000. Couples with a non-working spouse can make a combined contribution of up to \$6,000.

IRA Contribution Limits			
	2004	2005	2006
<u>Under Age 50</u>	\$3,000	\$4,000	\$4,000
<u>Age 50 or Older</u>	\$3,500	\$4,500	\$5,000

Roth IRAs

Roth IRAs, with their tax-free distributions, continue to be popular. (Distributions from traditional IRAs are taxed.) Contributions to Roth IRAs are not deductible and are subject to phaseout rules. And, as with traditional IRAs, you are allowed to contribute up to \$3,000 to a Roth IRA in 2004 (\$3,500 if you are 50 or older).

You may convert an existing IRA to a Roth IRA provided your AGI is

below \$100,000 in the year of conversion. The conversion is treated as a distribution; therefore, you will be taxed on the full amount but not penalized for early withdrawal.

One thing you need to be careful about: if you withdraw any of the amounts rolled over or converted into a Roth IRA within five years of the rollover, you will be charged a 10% early withdrawal tax.

Roth IRA Income Limits*	
~Contributions Reduced~	
<u>Single Filers</u>	\$95,000- \$110, 000
<u>Joint Filers</u>	\$150,000- \$160,000
~Ineligible~	
<u>Single Filers</u>	Over \$110,000
<u>Joint Filers</u>	Over \$160,000
*Modified Adjusted Gross Income	

Which IRA is best for you?

Good question. If you are fairly young, expect to be in a similar tax bracket when you retire, or are concerned about cash flow during retirement, a Roth IRA may be the way to go.

If you are older and expect to be in a lower tax bracket, you may be a candidate for a deductible IRA. Keep in mind, however, that a number of factors should be considered when choosing an investment vehicle. We can help you calculate which retirement savings strategies are right for you.

Whichever IRA you choose, start making contributions now and continue making them each year. Doing so will allow you to take full advantage of the tax benefits these accounts provide.

~Tax Tip~

If you tap your IRA before you reach age 59 ½, you may be subject to a 10% penalty. Withdrawals for qualified college expenses or to fund up to \$10,000 of a first home purchase will be taxed, but you will not be penalized.

New Guide Warns Consumers about Internet “Phishing”

Regulatory agencies have published a brochure, Internet Pirates Are Trying to Steal Your Information, to assist consumers in identifying and preventing a new type of Internet fraud known as “phishing.” With this type of scam, individuals receive fraudulent e-mail messages that appear to be from their financial institution. The messages often appear authentic and may include the institution’s logo and marketing slogans.

These messages usually describe a situation that requires immediate attention and state that customer’s accounts will be terminated unless they verify their personal information by clicking a provided web link. The web link then takes the recipients to a screen that asks for confidential information, including: account numbers, Social Security numbers, passwords, place of birth, or other information used to identify them. Do NOT click on any of the links, they will take you directly to the scammer’s site.

Those perpetrating the fraud use this information to access consumers’ accounts or assume their identities.

For an example, a person who has been getting email messages purporting to be from MSN’s billing department, directed him to click a link to “update account records” and advising that failure to do so might result in deactivation of the account and reactivation fee. This is one of many “phishing” scams that try to con you into entering your credit card numbers and other personal information in an online form that appears to be an MSN Web site, but is actually redirected to the scammer who intends to use the information for fraudulent purposes. Do NOT ever respond to these types of messages. Do NOT click the links in the e-mail messages; they will take you to the scammer’s site.