



The FMCBank

STATEMENT

An Update For Our Customers

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Online Banking Now Available to First Minnetonka City Bank Customers



As part of the enhancement of our web site, www.fmcbank.com, First Minnetonka is pleased to bring you online banking capabilities

through FMCBank Online!

This new feature brings the high quality, personalized services you expect from our bank to the convenience of any computer, any time you need it. Now, with the simple click of a mouse button, you'll have access to a wealth of tools and features that make it simple for you to conduct your banking—online. More than 400 customers are already benefitting from the following features FMCBank Online offers:

- Easy-to-use design and navigation offers step-by-step, on-screen instructions.
- Electronic bill payment allows you to submit multiple payments simultaneously, and to easily track them with confirmation codes.
- Funds can be transferred among all your First Minnetonka accounts through Express Transfer.
- On-demand balance information provides up-to-the-minute account balances.
- Transaction review lets you view and search among all your banking transactions, including by posting order, amount and check number.
- On and offline support is available over the phone and e-mail during regular business hours, and 24-hours-a-day through a variety of self-service tools like online FAQs and user guides.

- Stop payment requests in real-time, without having to call the bank.
- Date and time stamp are applied to all transactions, letting you know exactly when transactions were completed.

Because the privacy of your personal and financial information is our foremost concern, these capabilities all lie within a system that incorporates the latest in data encryption and password-protection technology. These security measures mean you can be confident that FMCBank Online is safe to use.

YOU CAN BE BANKING IN JUST MINUTES!

We've made it easy for you to start banking online. With your account number and TeleBank password handy, simply follow the steps below:

- Go to www.fmcbank.com
- Click "First Time Log On" on the bottom of the Home page.
- Complete the online enrollment form, and click "Submit."
- When prompted, select an Access ID and password that are easy for you to remember, and click "Submit."
- Start banking!

You can also sample the site for yourself using our online demo, available at www.fmcbank.com. Visit the site today! ●

For questions regarding this newsletter, please contact: Tom Rogers at 952.935.8663 or trogers@fmcbank.com

GLEN LAKE OFFICE | 14550 Excelsior Blvd. | Minnetonka, MN 55345 | 952.935.8663
COUNTRY VILLAGE OFFICE | 11500 Highway 7 | Minnetonka, MN 55305 | 952.935.5995

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FMIC OFFERS TAX-ADVANTAGED SOLUTIONS FOR BUSINESSES



Company-sponsored retirement plans, available through First Minnetonka Investment Center (FMIC), represent a way to reduce your company's taxable income while providing your employees with a valuable benefit. No matter the size of your business, whether it's a one-person shop or one with many employees, FMIC offers a variety of retirement plan options, including deferred compensation programs, IRAs, SEPs, SIMPLE IRAs and 401(k)s. Certified Financial Planner, Tam Hubert, would be happy to discuss these retirement plan options with you, and can even work with your accountant to determine the most appropriate solution.

NEW, HIGHER LIMITS FOR RETIREMENT PLANS

Congress recently enacted the Economic Growth and Tax Relief Reconciliation Act of 2001, which significantly changes the maximum annual contributions allowed in IRA and Roth IRA accounts.

Through the act, beginning in 2002, you can contribute up to \$3,000 per year in your IRA or Roth IRA account, subject to income restrictions. In 2005, the maximum contribution increases to \$4,000, and in 2008, to \$5,000. The maximum contribution for each subsequent year will be adjusted for inflation in \$500 increments.

The act also provides a way for individuals age 50 and over to "catch-up" with their retirement savings. If you are age 50 by the end of 2002, you qualify for the new provisions that allow you to contribute \$500 more than the annual maximum through 2005, and \$1,000 more in the years 2006 and after.

New rules also apply to the maximum annual 401(k) contributions allowed, and can be found on the chart included on this page. Tam Hubert would be happy to discuss how these new limits affect you. Call her at 952-935-8663, or e-mail her at thubert@fmcbank.com for more information. ●

NEW RETIREMENT PLAN CONTRIBUTION LIMITS

YEAR	401(k)/403(b) Plans/SAR-SEPs	SIMPLE Plans	IRA/Roth IRA Plans	IRA w/Catch-up Provision (ages 50+)
2001 (current)	\$10,500	\$6,500	\$2,000	\$2,000
2002	\$11,000	\$7,000	\$3,000	\$3,500
2003	\$12,000	\$8,000	\$3,000	\$3,500
2004	\$13,000	\$9,000	\$3,000	\$3,500
2005	\$14,000	\$10,000	\$4,000	\$4,500
2006	\$15,000	\$10,000 (adjusted)	\$4,000	\$5,000

SAVINGS IN 403(B) PLANS CAN NOW BE TRANSFERRED TO A NEW ANNUITY

For employees whose company-sponsored retirement plan is the 403(b), which typically includes employees of public schools and other tax-exempt organizations, you can now transfer a portion of or all assets in your account to the new 403(b) annuity.

Although your ongoing contributions must be made to an annuity on your employer's approved list, you can transfer assets to the new 403(b) annuity without having to

change jobs, without the new product being on your employer's list, and without your employer's permission.

For employees who are looking to retire in the foreseeable future, or who would like to further diversify their retirement plan savings, the new annuity provides this opportunity. Certified Financial Planner, Tam Hubert, from First Minnetonka Investment Center, can help you evaluate your individual

situation and determine if transferring is appropriate, determine the potential surrender penalties you may face if transferring, and then select the appropriate investments and associated amounts. Call her at 952-935-8663 or e-mail her today at thubert@fmcbank.com to discuss your situation. ●

FIRST MINNETONKA INVESTMENT CENTER IS NOT FDIC INSURED

* Securities offered by LaSalle St. Securities, LLC. Registered Broker/Dealer ● Member SIPC

First Minnetonka City Bank is not affiliated with LaSalle St. Securities, LLC ● MAY LOSE VALUE ● No Bank Guarantee

TO REFINANCE OR NOT?



With today's low mortgage rates, many homeowners are wondering if now is the time to refinance their existing mortgages. Refinancing can present homeowners with an opportunity to:

- Lower their monthly payment
- Reduce their mortgage's duration
- Consolidate debt
- Obtain funds for a large expense
- Change their interest deduction for tax purposes

No matter the motivation behind your

desire to refinance, the traditional rule of thumb has been to refinance your mortgage when the market rate is 2 percent or more lower than your existing mortgage's interest rate. However, even a smaller interest rate reduction can prove beneficial, depending on your unique situation.

To determine if refinancing is a viable option, you must also consider other factors, including the expenses associated with refinancing; if those expenses can be financed as part of the new loan; the length of time you plan to own the home; and potential penalties for paying off the current mortgage, such

as those for prepayment.

If you're interested in refinancing your home mortgage, First Minnetonka can provide you with a Good Faith Estimate of Closing Costs and specific details on the interest rate we could offer you, depending on the desired mortgage's size and duration, your credit rating and other factors. Please call Paul Tesarek at 952-935-5995, or e-mail him at ptesarek@fmcbank.com for more information about First Minnetonka's refinancing options. You can also visit our web site's Great Rates page at www.fmcbank.com for current loan rates. ●

TURNING HOME IMPROVEMENT IDEAS INTO REALITY

All winter long, we've been visiting the various home and garden-related exhibits that have come through town. They fill us with ideas for renovating our kitchens, building a new deck or landscaping the yard, yet leave us to figure out how to pay for it all. That's where First Minnetonka City Bank can help.

While refinancing a home mortgage may be an option some homeowners use to fund major home improvement projects, First Minnetonka also offers other loan options

that may be more suitable for smaller initiatives. Our home equity loans and lines of credit let you borrow up to 100 percent of the equity* in your home for home improvement projects—or for whatever purpose you decide. Each option offers a unique advantage to borrowers. With home equity loans, the interest you pay may be tax deductible.** With a home equity line of credit, you can borrow from it as you need, and only pay interest on the amount you actually borrow.

For more information on First Minnetonka's home equity loans and lines of credit, please contact Kevin Von Bank or Jeff Scribner at 952-935-8663, or Paul Tesarek at 952-935-5995. ●

*Home value based on most recent property tax statement or appraisal. Some restrictions may apply. Subject to standard credit qualifications.

** Consult your tax advisor for more information on the tax deductibility of interest on your home equity loan or line of credit.

BALANCING YOUR FINANCES

SAVING YOUR FINANCIAL RECORDS



As you prepare to file your personal income taxes, you're probably sorting through old returns, receipts, statements and mountains of other paperwork. Year after year and file after file, you wonder "how long do I really need to keep this stuff?" First Minnetonka has prepared the following guidelines to help you determine exactly how long you should store your financial records:

TAX RETURNS Keep all copies of filed tax returns permanently, and the most recent seven years' worth of documentation supporting those returns, such as W-2s, 1099s, receipts and credit card statements.

HOME EXPENDITURES The appropriate time is dependent on the expense qualifying as an improvement or repair. Improvements add to your home's tax basis, while routine

maintenance is considered a repair. Receipts for improvements, such as additions, should be kept indefinitely, and those for repairs should be kept until any warranty period expires.

INVESTMENTS Keep order confirmation slips as long as you own the investment, plus seven years. For mutual funds, money market accounts and limited partnerships, always retain the original prospectus, current account statement and cumulative annual statement, or K-1. Also keep documentation for taxable accounts that show reinvested dividends.

INVESTMENT REAL ESTATE Keep indefinitely all cancelled checks for property purchases, documentation on improvements made, written appraisals and tax depreciation schedules.

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BE PREPARED FOR YOUR TAXES

First Minnetonka has prepared the following checklist of documentation* you'll want to have handy for filing your income taxes, whether you plan to file them yourself, or if you'll be using the services of a Certified Public Accountant.

INCOME ITEMS

- W-2s
- Interest and dividend income
- Stock sales with cost basis
- Unemployment income
- Social Security income statement
- Distribution from pensions/IRAs
- Miscellaneous income

DEDUCTIONS AND EXPENSES

- Mortgage and interest information
- Investment interest (margin)

- Real estate taxes
- License tabs
- Charitable contributions (cash/non-cash items and mileage)
- Medical expenses and long-term care insurance
- Employee business expenses (reimbursed or non-reimbursed)
- Employee business mileage
- Tax preparation fees, investment fees
- Professional dues

- IRA contributions
- Student loan interest

OTHER INFORMATION

- Closing statements from the sale or purchase of a house
- Federal and State estimated tax payments
- Alimony paid or received

* Source: Leslie Pearson, Attorney at Law

YOUR BUSINESS: THE BOTTOM LINE

TAX TIPS FOR BUSINESS OWNERS

What you can do to help reduce your taxes—now and in the future



As you begin to prepare for filing your business taxes, following these tax-related strategies can help you minimize your personal and business income taxes, now and in the future.

SPONSOR A RETIREMENT PLAN

Depending on the size of your business, establishing a retirement plan can offer significant tax benefits to your company by reducing net income—while providing your employees with a valuable benefit. First Minnetonka Investment Center can help businesses establish and manage a variety of retirement plan options:

- **SIMPLE (Savings Incentive Match Plan for Employees):** available to companies that have no more than 100 employees who earn more than \$5,000 in annual compensation. The plan allows employees to contribute a percentage of their income into the plan, until the amount reaches a \$6,500 annual maximum. Employers must also make annual contributions to each eligible employee's plan, in the forms of matching or non-elective contribution. The maximum combined employer and employee annual contribution for 2002 is \$14,000, increasing by a combined \$2,000 annually until 2005. With a SIMPLE IRA, employers must contribute into the plan each year, and employees are immediately 100 percent vested.
- **SEP (Simplified Employee Pension) Plan:** available to companies of any size. A SEP offers business owners the same tax savings and administrative benefits of a SIMPLE IRA, yet also gives them the freedom to choose, on an annual basis, the amount they want to contribute to the plan, if any. With SEPs, only the employer can contribute to the plan, which can be as much as 15 percent

of the employee's annual compensation, up to a \$30,000 limit. In addition, because employees are immediately vested in the contributions, employers may restrict participation in the plan to employees with three years of tenure.

- **Pension, profit sharing and 401(k) plans:** available to companies of any size. Depending on your company's unique situation and needs, First Minnetonka Investment Center can create a plan tailored for you.

PREPARE YOUR ESTATE

As a business owner, you have special needs when it comes to managing your estate and making it last for future generations. Although a new law eventually repeals the estate tax, it isn't scheduled to be eliminated until 2010. However, permanently repealing the tax will take an additional act of Congress. Until that time, you need to plan how you will pass on your estate to your spouse and future generations in a way that minimizes the taxable impact. FMIC offers business owners numerous tools, such as annuities, special insurance policies and ways to gift your estate while you are still living, among others, to assist them in their efforts. ●

Contact one of our dedicated commercial banking professionals today to learn how our services can benefit you:

GLEN LAKE OFFICE

Amy Hennen • 952-935-8663 • ahennen@fmcbank.com

Del Smith • 952-935-8663 • dsmith@fmcbank.com

Kevin VonBank • 952-935-5995 • kvonbank@fmcbank.com

COUNTRY VILLAGE OFFICE

Glenn Keller • 952-935-8663 • gkeller@fmcbank.com

BUSINESS STRUCTURE GUIDE

The type of organization you choose for your business can have a significant impact on your and/or your business' tax expenses. The chart below* highlights these major differences, among others.

STRUCTURE	INCOME TAXATION	LIABILITY	SELF-EMPLOYMENT TAX	DEDUCTIBILITY OF LOSSES	SPECIAL CONSIDERATIONS
SOLE PROPRIETORSHIP	Income is included on the owner's individual tax return	The owner is generally not protected from liability	Income is included on the owner's individual tax return	If the owner actively participates, losses are fully deductible against other income. The owner may carry back or forward net operating losses	Because business income or loss flows through to the owner's personal tax return, other items, such as deduction limitations, can be affected
PARTNERSHIP	Income flows through to each partner's individual tax return	General partners are subject to unlimited liability. Limited partners have liability only to the extent of their investment	General partners are subject to the tax on partnership income, but limited partners usually are not	Generally, partners can deduct active partnership losses against other income, up to their basis, and passive losses only against passive income	Income from a partnership is taxable regardless of whether partners receive an equivalent amount of cash as a distribution
LIMITED LIABILITY COMPANIES	Income flows through to each member's tax return unless the LLC elects to be taxed as a corporation	Members' personal liability is limited to the amount of their investment	Members are generally subject to the tax except those qualifying as limited partners had the entity been a limited partnership	If an LLC is taxed as a partnership, the loss rules follow partnership rules	Generally, LLCs have the flexibility of partnerships with the limited liability of corporations
S CORPORATIONS	Income flows through to each shareholder's individual tax return. In some instances, taxation can occur at the entity level	Shareholders' personal liability is limited to the amount of their investment	Shareholders with incomes from their proportionate share of company earnings are not subject to the tax; salaries are subject to payroll taxes	Shareholders can deduct losses to the extent of their basis, but unlike partnerships, shareholders' proportionate debt share does not increase their basis	The maximum income tax rate (39.1% for 2001) is higher than that for C corporations (35% once the lower graduated brackets are phased out)
C CORPORATIONS	C corporations are taxed on their earnings and shareholders are taxed on any dividends they receive	Shareholders' personal liability is limited to the amount of their investment	Does not apply	As a separate taxpayer, corporations can deduct losses or carry them back or forward to offset income in profitable years	Income can be subject to an alternative minimum tax of 20%

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SAVING YOUR FINANCIAL RECORDS • Continued from page 3

INDIVIDUAL RETIREMENT ACCOUNTS Keep copies of Forms 5498, 8606 and 1099R as long as your money is invested in the account.

INSURANCE Although you should ask your insurance agent about specific policies, a general guideline is to keep only your current policy and 12 months of cancelled checks and statements.

ESTATE PLANNING DOCUMENTS In your home, preferably in a fire-proof safe or in another secure location, such as a safety deposit box, keep a copy of your current will, trusts and special

directives. Your attorney should retain the original version of all such documents, and can provide instruction on destroying out-of-date documents.

If you have any questions about retaining a specific financial record, please contact First Minnetonka or your other financial professionals, including investment advisors, accountant, insurance agent and attorney. ●

FIRST MINNETONKA SUPPORTS A THRIVING COMMUNITY Bank Sponsors a Production at The Hopkins Center for the Arts

More than four years ago, the Hopkins Center for the Arts joined our community, and since that time, has been a top location for educational, entertainment and artistic events. Now, through its sponsorship of the center, First Minnetonka City Bank is helping

ensure you always have access to these valuable opportunities.

One such opportunity was a special performance of “Joe Chvala and the Flying Foot Forum,” which the bank recently sponsored. This group is one of the center’s most popu-

lar events each year, and it entertained those who attended with its “extreme tap” style.

We encourage you to visit the Hopkins Center for the Arts, located at 1111 Mainstreet in downtown Hopkins, and share in our support of this valuable community resource. ●

Love to travel? Watch for further information about our upcoming Sunshine Travel bus trip!