



Ask our Investment 'Guy'

Vice President and Investment Advisor

Q: What do I do with my money in today's economy?

A: The financial media fan the flames of fear. Everyone is fearful these days because

Q: What should I do if I'm retiring within 5 years?

A: Continue to invest in a 401(k) or similar retirement plan at work. When you leave the company, consider rolling it over into a traditional IRA to keep the money tax deferred and help with tax savings.

of the market's downturn and the prophets of doom. As investors, we must keep things in perspective and realize that in the past 100 years, the stock market has always come out of it.

Q: Should I invest in the stock market?

A: The stock market anticipates the future, typically reflecting the next six to nine months, according to Kiplinger's Personal Finance magazine. This is an incredible time to buy stock. There are fewer buyers and more sellers, which means most stocks are undervalued. Many large blue chip type of U.S. companies are now delivering historically high dividend yields that significantly exceed the rates paid on traditional fixed income products. These types of stocks offer compelling opportunities for the long term investor.

Q: What is a good investment strategy now?

A: It depends on your age and time horizon. If you have a college-bound 15-year-old, you may choose more conservative vehicles such as bonds. Conversely, if you have a 2-year-old, you could take a growth-oriented approach with stocks or mutual funds.

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Q: I am self-employed and don't have a retirement plan, what should I do?

A: We regularly counsel small businesses on retirement plan options, such as a Simplified Employee Pension (SEP) IRA, Savings Incentive Match Plan for Employees (SIMPLE IRA) or SIMPLE 401(k) plan.

Q: How can Bank of McKenney help me with my investment planning?

A: Our community bank investment program is different from the bigger banks. We are here for the long haul and want to develop long-term relationships with our customers. Our job is to analyze customers' financial scenarios and educate them on issues such as risk management. After all, short-term success is a recipe for long-term disaster.

Contact Guy Adamson at (804) 518-0526 to set up a free consultation.

The past performance of any trading methodology is not necessarily indicative of future results.

Bank of McKenney Investments offers a full line of investments, through a fully disclosed relationship with Community Bankers Securities (Member FINRA/SIPC).

MAKING CENTS

An update to our investors and customers



Volume VI, Winter 2008

Everyone Can Make a Difference

Richard Liles, President, Chief Executive Officer

A new year is always a great time to begin improvements for yourself and the people around you. We are asking that you join us in getting involved in your community.



Bank of McKenney believes in supporting its community. We encourage our employees to be involved in some way in community activities.

There are numerous organizations you can join or support, such as civic clubs, fire departments, rescue squads, schools, government agencies, churches, youth clubs and athletics, to name a few.



Left to right; Vicky Heller, Theresa Crowder, Anna Marston, Brenda Wilkerson volunteering at the Dinwiddie parade

You don't always need to join an organization to make a meaningful difference. Sometimes a smile and a kind word to someone who is going through a difficult time is priceless.

No matter what your age or status in life, you CAN make a difference. For us, every customer makes a difference. Have a safe and happy new year.



Billy Neville delivering the Toys for Tots to Christmas Sharing.



Betsy Stafford, the Colonial Heights Branch Manager, dressed as Ms. Clause in Colonial Heights Parade

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- Bryant Neville Talks About Banking Basics
- Getting a Mortgage in Today's Market
- Ask Guy!

Happy New Year!
Family, friends and colleagues, too
May this new year be your best yet
Happiness the whole year through



Banking Basics

J. Bryant Neville, Jr., Chief Financial Officer

In the last two issues, I focused on some of the media's frequently floated terms as well as issues faced by financial institutions of various sizes. What seems to be left is a general outline of how we exist and what we do. Ironically, many don't seem to fully understand the system. So I'll give a basic lesson in "Banking 101."

When a bank is formed, regulatory mandates require investors or shareholders to raise a certain level of "capital." Capital is the seed money the new bank will use to build branches, employ personnel and begin building a loan portfolio to generate revenue from interest. Future lending and investing activity depend on the bank's ability to attract and keep depositors.

In the beginning, the fledgling bank will likely be unable to make a profit as it is more focused on growing and attracting enough depositors to provide the "liquidity" or cash needed to make loans. During this time, the company will have to use the seed money from investors to make ends meet. At some point in time, the size and quality of the total loan portfolio and interest earned will be great enough to both pay the interest promised the depositors and cover the fixed costs of employees, facilities and operating expenses. Future growth will generate profits that add to the capital and ultimately reward investors.

If you read between the lines here, any successful bank needs the faith and trust of its investors and depositors to survive. In the community-banking world, we place more emphasis on ensuring this faith and trust through a personal level of customer service and support. We may not always be able to offer the highest rates, but our rates are always fair for both depositors and borrowers. Moreover, someone will always be available to try to meet all the needs of each customer.

Time and time again, our branch folks are faced with the question, "XYZ Bank can pay me a higher percent on my deposits, so how come you are lower?" The bank in reference usually needs more deposits to help fund its rapidly growing loan demand or to replace a loss of deposits. Interest rates paid on deposits are also set as economic conditions and competition dictate.

Often banks will offer higher rates during a good economy as they need to increase cash flow for loans. Promotional deals offered in a sour economy should be heeded carefully. Of course, federal insurance covers depositors to a point, but amounts above that level rely totally on the health of the bank and faith and trust of its customers.

So how can the average person check on a bank's health? All you need is the Internet and a little time. Each quarter, banks file a host of financial information with their respective regulatory bodies. Then, the Federal Deposit Insurance Corporation (FDIC) produces a Uniform Bank Performance Report ("UBPR") on each bank. This report analyzes and compares the bank's pertinent data from growth and earnings performance to health of the loan portfolio. As the saying goes, "Power is knowledge and knowledge is power." If you're interested in doing a little homework on your bank, visit www2.fdic.gov/ubpr/UbprReport/SearchEngine/Default.asp.

Our industry as well as the economy is going through a very difficult time. The more each person can do to protect his/her interests the better. As always, we stand ready to answer any questions or concerns of our customers or investors. Feel free to contact me at (804) 478-4434 x305 or e-mail at bryant.neville@bankofmckenney.com.



Getting a Mortgage in Today's Market

Beth Honea, Vice President, Mortgage Loan Officer

The number one obstacle in obtaining a mortgage is poor credit, relates Beth Honea, mortgage loan officer for Bank of McKenney. Second is simply lacking money to make a down payment.

How do you improve your credit score? First, know your credit history. Request a free credit report through www.annualcreditreport.com. For a government-backed loan, candidates need at least a credit score of 580, Beth observes. Credit score requirements are higher for conventional loans.

Take a class on homeownership or get credit counseling (see resources section). Beth states, "We have the expertise and time to help our customers, whether the goal is to get a mortgage or find resources."

For example, the US Department of Agriculture has homeownership programs for rural Americans. It offers guaranteed loans for qualified buyers of rural housing. The Federal Housing Administration and Veteran's Administration are other resources for those who lack funds for a down payment.

Bank of McKenney offers first-time homebuyer grants for eligible candidates. The bank can arrange for grant funds up to \$10,000 for down payment or closing costs when getting a mortgage through the bank.

Beware of Misinformation

Beth notes, "One misconception is that interest rates are low so mortgage rates are low, too." The Federal Reserve Bank sets the Federal Funds rate. This affects the prime rate, but it does not move in lock step with mortgage rates, she adds. While news reports tout these rates as being near 0%, interest rates for mortgages average 5.25%.

Beth also cautions against using online mortgage calculators. Most do not take into account real estate taxes, homeowners' insurance and mortgage insurance payments. Use reputable web sites such as www.homeloanlearningcenter.com, which has a calculator that factors in taxes and insurance.

For more information on mortgage services, visit Bank of McKenney or contact Beth Honea at (804) 590-9939.

Resources

Free Homeownership Education Classes

March 28, 2009 at 9a.m.
Dinwiddie County Parks & Recreation
Eastside Enhancement Center
7301 Boyden Plank Rd., Petersburg
Call Natalie Fischer @ (804) 732-1100

First Baptist Church
25720 Greensville Ave., Petersburg
Call Pauline Bonner @ (804) 732-1052

Websites

www.virginiasupportivehousing.org
• pre- and post-purchase counseling
• homebuyer education programs
• money/debt management
Call Deborah Hanson @ (804) 722-0490

www.homeloanlearningcenter.com/mortgagebasics
Click on "The Simple Calculator"

www.financeinfocenter.com
Virginia Bankers Association website to educate consumers, includes mortgage tips and how to improve your credit score.

www.annualcreditreport.com
Supplies one free credit report per year.