

Washington Financial News

It's banking that's in your best interest.



A message from the CEO

Recently, the news has been filled with stories about the U.S. and world economies. Keeping up with the myriad of terms used in the news (inflation, stagflation, stimulus, QE2, etc.) can be challenging. Managing a business or a household in these uncertain times can be equally challenging. At Washington Financial Bank, our primary focus will always be our customers. However, certain economic conditions result in our use of slightly different strategies to manage our business.

As a community bank, Washington Financial Bank accepts deposits, provides payment system services and pays interest on deposits. Those deposits are then loaned out to local individuals and businesses, or invested in government securities or comparable high quality (low risk) investments. Sounds pretty simple, right? Well, perhaps not **that** simple— but a consistent ongoing conservative philosophy and proper diversification help.

If you're a borrower, today's historically low-interest rate environment is great. However, for depositors, this environment may not seem so great. For Washington Financial Bank, and most other community banks, the current rate environment presents a bit of a conundrum.

While low deposit rates present opportunities to generate current earnings, those same low rates present considerable duration risk management issues. Historically, as the economy improves, interest rates rise, with rates paid on deposit accounts rising faster than yields on loans and investments. Therefore, a comprehensive plan to properly manage the relationship between asset (loans and investments) repricing, and liability (deposits and borrowings) repricing, is critical.

Our long-range view and conservative approach to business ensures that we are always properly positioned for changes in interest rates. Our current strategy involves the use of a higher than usual level of variable rate investments, which will act as a natural hedge against rising interest rates. Although this strategy may not optimize our current earnings, it is a conservative position for the future.

Let's hope that the national economy improves soon, and that for everyone's sake, interest rates return to a more neutral (normal) level! Until then, we'll continue to move forward— placing customer needs as our number one priority.

Brian J. Smith

Brian J. Smith, *President and CEO*

In this issue

Overspending: Why we do it

Find out why consumers overspend and how you can lead a more fulfilling and financially stable life.

Costs of caring for your parents

Financial ideas for caregivers that may help keep your own finances on track.

5 Ways to improve your credit score

A higher credit score generally means loans with lower interest rates. Here are some tips to help raise your score.

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In your own words

Washington Financial continues to receive exceptionally high scores from our customer loyalty surveys. We review each response and personally address any questions or concerns for those who submit contact information. Thank you for sharing your experiences with us. Here are some of the responses we've received!

"They make it about service.... plain and simple. Other organizations should learn from them."

"The company is progressive and always offering new products."

"I appreciate that Washington Financial has a branch in my local community and that it has employed people from the local community to work there. These two factors make banking at Washington Financial convenient. Plus, the employees are involved in the community and its activities."

"Home Equity Loan process was pleasant. Our representative was knowledgeable and helpful in every way"

"I could not be happier with the service I have received by this institution over the years and have recommended them highly to all."

"I love knowing that even being part of a big company, my bank has retained the small town atmosphere and friendliness I have trusted and relied on for years."

Share your story by using the CustomerVoice feature on our Web site. Like our surveys, CustomerVoice is anonymous unless you provide your contact information.

Priorities



John Clayton
Senior Vice President
Community Banking

So there I was in the big department store on my lunch hour... in a hurry, as usual, trying to get a present for my dear mother in time for her 95th birthday. The line was quite long but I took comfort in noticing that there were four

people on duty at the counter and there were cash registers available to each of them. This wasn't going to be bad at all! Or so I thought.....

Believe it or not, with a line of at least 1000 customers (ok, maybe more like 8), TWO of the employees closed their registers and started counting inventory, stapling stuff together, moving stacks of products from one rack to another, and generally ignoring all of us in line. And of course, the people ahead of me all had problems.... which would be cheaper? Using my "any one item" coupon or opening a store charge account? Do you offer the special gift wrapping option? Can I return this package without my

original receipt? What do you mean the credit card company wouldn't authorize? And on and on it went while 50% of the work force continued counting things, stapling stuff and moving other stuff from one pile to another. Boy was that frustrating. I remember thinking to myself "No wonder our economy is in the dumper. Even if they are inclined to spend money, people just don't have the **time** to shop with this level of service. This store has no idea what its priorities should be and no concept of customer service or efficiency. Thank goodness we don't have that problem at Washington Financial!"

And then I thought "or do we?" This may be a good time to review our priorities and take inventory of what is most important as we work through the day. It is very easy to become sidetracked and bogged down unless we are vigilant against it! So let's review:

THE CUSTOMER AND HIS/HER EXPERIENCE AT WASHINGTON FINANCIAL BANK ARE OUR HIGHEST PRIORITIES, NO EXCEPTIONS!

These two priorities apply across the board in every department, in every job function. We must always remember.... we have two types of customers; internal and external. Providing world class service to our internal customers (fellow employees) is just as important as doing it for our external customers. Internal customers are key to enabling our employees to keep promises made during external customer interviews. External customers are key to our long-term growth and success. All constituencies need to be shown the BEST we can deliver, as efficiently as possible, with genuine friendliness and empathy, and with the least amount of distraction from tasks that do not enhance the customer experience.

Based on survey comments we have reviewed over the past several months, it is clear that our work force "gets it." This reminder of why we come to work every day is to simply reinforce the customer focused approach that we all live by and to keep us and our customers moving forward to maximum personal and business success!

In our community

Happy Days in Uptown Washington



Community members enjoyed a classic car cruise and music by The Four Townsmen during Happy Days on August 12. Happy Days is an event sponsored by the Washington Business District Authority each month during the summer.

At the event, Washington Financial held a drawing for a \$250 car detailing gift certificate at Bauer Auto Detail. Branch Managers Judy Bee (Hickory office) and Carla Kraushaar (Crown Center office) gave away free bottles of water.

Senior Expo

The Senior Expo marks one of the largest events held at the Washington Crown Center. The Bank was pleased to provide information about its financial services and support of the Southwestern Pennsylvania Area Agency on Aging. Customer Service Representative Kathie Rumbaugh (Hickory office), Branch Manager Carla Kraushaar (Crown Center office), and Marketing Associate Michelle Thompson represented the Bank at this event.



Bank supports speedskating program



Washington Financial is proud to support the Pittsburgh Speedskating Club and RMU Speedskating Team by purchasing helmet covers for the Club's mini-meets. The teammates pictured come from all over the United States and Canada to learn advanced short track speedskating techniques. To learn more, visit www.pittsburghspeedskating.org.

Overspending:

Why we do it and how to prevent it

We've all purchased things that we thought were essential only to find them collecting dust shortly thereafter. Maybe it was a motorcycle, a pair of skis or a scrapbooking kit. At the time, we believed that the purchase would make things easier, help us have more fun or better our relationships with friends and family.

Unfortunately, a recent study revealed that the great expectations consumers place on big ticket items may lead to overspending and debt rather than fulfillment. The study by Marsha Richins and Myron Watkins is titled *Materialism, Transformation Expectations, and Spending: Implications for Credit Use*.



8 Warning Signs of Debt

1. Paying only the minimum on credit cards balances or consistently sending late payments.
2. There is no money in your savings account and you do not have an emergency fund.
3. Continuing to make purchases on credit cards when you're trying to pay them off.
4. Borrowing money to settle other debts or not paying some bills to pay others off.
5. Being denied credit.
6. Find yourself lying to family or friends about your spending or debt.
7. Not knowing how much debt you have.
8. Bills are left unopened and you avoid answering the phone.

With consumer debt on the rise, many may still be paying off the old laptop or gently-used photography equipment. Although consumers may have once believed that these purchases would change their lives for the better, these purchases are actually taking them further away from their financial goals and overall happiness.

Research has repeatedly shown that buying more things doesn't bring happiness. Yet, respondents to this study often placed large, unrealistic life goals on big purchases. For example, one woman wanted to purchase a larger house because she believed that it would inspire her to want to entertain more and she'd have more friends. Another respondent said he was thinking about buying a pool so that his daughter would not complain that she was bored. Likewise, one man said that a mountain bike would give him a better incentive to have more fun.

In most cases, these changes are unrealistic or short-lived because they do not get at the heart of the issue. Although these items may have a positive impact in the short-term, life changes like being more social, taking care of a child or having more fun may not require someone to make a large purchase.

Before purchasing a big ticket item, it may be best to first decide what it is you really want from the item. If being more social is your overall goal, join a club or start a weekly brunch with a few friends. Likewise, the father could talk to his daughter to see if there is a camp, class or volunteer work that she'd be interested in.

At a time when credit card debt continues to climb, it is important to pinpoint when we are attributing life transformations to objects. Instead of rushing out to purchase a mountain bike, bike shorts, shoes, a helmet and an aluminum water bottle, it may be more prudent to borrow or rent a bike to see if you truly enjoy the sport first. If you decide that it is something you'd like to pursue, then you can work the costs into your budget.

By slowing down impulse buying and budgeting for large purchases, consumers can make better decisions that will not only bring them closer to our financial goals but will also lead to a more fulfilling life.

Financial costs of caring for your parents



Jason Alderman
Senior Director
Visa, Inc.

Reprinted from Practical Money Matters

Kudos to the millions of “sandwich-generation” Americans. These exhausted souls spend their time and money caring for and supporting not only their own children (and sometimes, grandchildren), but their parents as well. It’s no wonder that so many people caught in this situation have trouble paying their bills and saving for retirement.

If you are primary caregiver for one or both parents or support them financially, these ideas may help you keep your own finances on track:

You may be able to claim your parents as dependents for tax purposes if:

- You provide more than half their financial support. If they live in your home, you can count the fair-market rental value of their lodging, including utilities, in that calculation.
- Their gross income (excluding Social Security payments and other tax-exempt income), is less than \$3,700 a year.
- They did not file a joint tax return – unless it was to claim a refund.
- The rules are complicated, so consult a tax professional or review IRS Publication 503 at www.irs.gov to see if you qualify.

Even if you can’t claim your parents as dependents because of the gross income limit, if you itemize deductions you still may be able to deduct their medical expenses you paid for provided you supply over half their financial support. The deduction applies only to medical expenses that exceed 7.5 percent of your adjusted gross income, so paying for their expenses just may help put you over that threshold. For a complete list of qualifying expenses see IRS Publication 502 at www.irs.gov.

Another way to lower your tax bite is to participate in employer-provided flexible spending accounts (FSAs), where you pay for eligible health and dependent care expenses (including those for dependent parents) on a pretax basis – that is, before federal, state and Social Security taxes have been deducted. This lowers your taxable income and therefore, your taxes. To learn more about FSAs, visit Practical Money Skills for Life, a free personal financial management program sponsored by Visa Inc. (www.practicalmoneyskills.com/benefits). A broad range of federal, state and private assistance programs are available to help low-income seniors (and others) pay their bills, including:

- Medical coverage through Medicaid and Medicare. For a good overview of these programs, see “Get Financial Help” at www.medicare.gov.
- Most pharmaceutical companies offer patient assistance programs that provide uninsured and low-income people access to prescription drugs they couldn’t otherwise afford. Ask your doctor or pharmacist for details.
- The Low-Income Home Energy Assistance Program provides grants to help pay utility bills. To see if your parents qualify, go to www.acf.hhs.gov/programs/ocs/liheap.
- The Supplemental Nutrition Assistance Program helps lower-income Americans buy nutritious food. Visit www.fns.usda.gov/snap for qualification requirements.
- Rental assistance for low-income people is available from several Department of Housing and Urban Development programs as well as other state and local agencies (see “Find Rental Assistance” at www.hud.gov for details).
- AARP has an excellent guide to finding public benefit programs in your area at www.aarpkb.benefitscheckup.org. They also have a robust Caregiving Resource Center at www.aarp.org/caregiving.

And finally, if your parents live far away, consider hiring a local geriatric care manager to help develop a game plan. It’s not cheap, but you’ll appreciate the peace of mind. A good resource is the National Association of Professional Geriatric Care Managers (www.caremanager.org).

Web sites provided for information only. No endorsement is implied.
Consult your tax advisor for information specific to your situation.

Five ways to improve your credit score



Rob Vettorel
Vice President
Wealth Management
Division

In an unstable economy, having a solid credit score is especially important. Your credit score represents your financial reliability. Typically the higher your credit score, the more likely you are to get a loan or credit card with a low interest rate and low fees. Credit scores may also be taken into account when applying for a job, renting an apartment or obtaining insurance.

Factors such as payment history, amounts owed, length of credit history, new credit and types of credit used all affect your credit score. In fact, your payment history makes up the largest part of your score. So, late payments, exceeding your credit limit, collection accounts, repossessions, tax liens and bankruptcies will adversely affect your score. Even being 30 days late on a payment can have a negative impact on your credit score.

Although there is no quick fix to improving your credit score, you can increase your score over time with patience and diligence. Here are five ways to improve your credit score in the long-run.

1. Check your credit reports

You can get a free credit report each year at www.annualcreditreport.com. Reviewing your report will not affect your score as long as you order your credit report directly from the credit agency or through an organization authorized to provide credit reports to consumers. There are three major credit bureaus— Equifax, Experian and Transunion. It's important to check each one of these credit bureaus because they can contain different information depending on what was reported about your credit and if any mistakes were made in the reporting process.

2. Pay on time

Even payments that are a few days late can adversely affect your credit score. The longer your bills are paid on time after being late, the more your score should increase. Ensure that your bills are paid on time by setting up payment reminders or automatic bill payments in online banking.

3. Reduce credit card debt

The most effective way to improve your credit score is by paying down credit card debt. It's important to keep balances low on credit cards and pay off the entire balance each month. If you have credit card debt, stop using your credit cards. Determine how much you owe and the interest rate on each card. Create a monthly budget, and dedicate as much as possible to paying down the cards with the highest interest first. If you are struggling, contact your creditors or a legitimate credit counselor. Contacting a credit counselor will not have a negative impact on your credit score.

4. Pay off medical bills, parking/traffic tickets and library fines.

These bills can damage your credit report if they enter collection. Understand that paying off a collection account will not remove it from your credit report. It will stay on your report for seven years.

5. Don't fall for "quick fixes"

Don't close unused credit cards or open a number of new credit cards as a short-term strategy to raise your score. Closing an account doesn't make it go away. It will still appear on your credit report and may be factored into your score. Likewise, opening new credit cards to increase your available credit may actually lower your credit score because new accounts will lower your average account age.

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Building a solid foundation



JT Thomas Homes develops custom homes and creates innovative designs. Patty, Jeff and Jesse Thomas work together to build and sell quality homes.

JT Thomas Homes, Inc. believes in developing a solid foundation for their custom homes and for their client relationships. As a custom home builder, Jeff Thomas, president of JT Thomas Homes, continues the tradition of excellence in building passed on to him from his father. Jeff is now bringing his son, Jesse, along in the family business. Through her real estate agency, Jeff's wife, Patty, is instrumental in marketing Thomas Custom Homes.

The Thomas family relationship building philosophy is a perfect fit for Washington Financial because the Bank also values its relationships. In fact, Thomas said that his commercial lender, John Wishart, has become a friend of the family. "John is always accessible and responsive to my needs," said Thomas. "He's been there for me on nights and weekends."

Because of Thomas' positive experiences with the Bank, he often refers his customers to Washington Financial and their affiliate, Washington Settlement Services. From the initial contact with JT Thomas Homes to the building, design and closings, Washington Financial is well equipped with corresponding financing and closing services. "Washington Financial is a perfect fit because their values align with ours," said Thomas. "I know that when I refer my clients to Monica Hamlin for a mortgage or Janet Mucha for the closing, they will be taken care of."

JT Thomas Homes guides their clients every step of the way— making it easy to build a custom home. The Thomas family has over 50 years of experience and Thomas' business with his father, William and Jefferson, Inc., was awarded the 2003 Family Business of the Year by the Joseph M. Katz Graduate School of Business at the University of Pittsburgh.

A good place to park your cash

By **Bill King**
*Senior Vice President
Business Banking*

Much has been written lately about the amount of cash that American businesses are sitting on – an estimated \$2 trillion! "Businesses are afraid to spend in the face of an uncertain future," the thinking goes.

If this is true, the Federal Deposit Insurance Corporation has given businesses a good place to park all of that money. Until December 31, 2012, the FDIC has removed all limits on how much it will insure on noninterest-bearing transaction accounts. That means that a business with, say, \$50 million on deposit in a noninterest-bearing checking account with an FDIC-insured bank can rest assured that all of its money is insured by the full faith and credit of the U.S. Government.

And, this unlimited insurance is not restricted to businesses. Consumers and government entities that park their deposits into noninterest-bearing transaction accounts with FDIC-insured banks receive the same unlimited insurance coverage through December 31, 2012.

What makes the prospect of unlimited FDIC insurance particularly enticing now are the alternatives to noninterest-bearing checking accounts. Savings accounts, CD's and money markets are paying interest, but not very much - and FDIC insurance coverage on these accounts is capped using standard FDIC guidelines. The stock market holds the promise of big returns, but the possibility of big losses is never far away.

American businesses cannot sit on their cash forever. Eventually, they must reinvest. But until that happens, noninterest-bearing checking accounts insured by the FDIC are a pretty good place to park all of that cash.

Contact Us

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