

# INtouch

WITH INLAND BANK & TRUST

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By Howard Jaffe  
Chairman and CEO

## MESSAGE FROM THE CEO

# The Fed is Going to Raise Rates... So What Does That Mean to You?

The Federal Reserve Bank has two important roles in the U.S. economy—it is mandated to promote economic growth and keep inflation under control. Interest rates are the primary mechanism the Fed has to attempt to fulfill these mandates. Lowering interest rates fuels economic growth, while raising interest rates tempers the rate of growth. One challenge that the Fed has is that the mechanisms for controlling rates, and thus the economy, are incredibly blunt, and not well suited for “fine tuning” economic conditions. Pundits have described the Fed’s role in steering the U.S. economy as akin to steering a supertanker whose response time is remarkably slow, noting that it usually takes between six and 12 months for the economy to feel the stimulation effects of lower rates and quite some time for the economy to slow down as a result of higher rates.

Since December, 2008, in order to stimulate economic growth in the wake of the Great Recession, the Fed has kept its key short-term rate—a rate that influences how much interest consumers and businesses pay on many different types of loans—near zero. An improving economy, in general, and an improving job market, in particular, have put pressure on the Fed to unwind its stimulus efforts and consider raising rates to keep the economy in check.

Although the exact timing and magnitude of any Federal Reserve actions vis-à-vis raising interest rates remains the topic of endless speculation in the business media, it is clear that higher interest rates are coming. Already, the Fed has cut back, or tapered, its historically large purchases of bonds on the open market (a tactic that creates higher prices for bonds, and in turn, lowers interest rates) through a series of initiatives it referred to as “quantitative easing”.

All consumers and businesses will be impacted by the increase in rates, just as all have been impacted by the historically low rate environment of the past six years. In general, all else equal, rising interest rates are correlated with decreasing home affordability, lower capital investment by business, higher proportions of income (both personal and business) paid for debt service, higher returns earned on deposits, lower stock prices, and higher future investment in bonds vs. equities. Of course, my time in the banking industry has shown me that, no matter what any economic theory postulates, all else is not equal, and all of these impacts may be offset or exacerbated by other forces impacting the economy.

For most consumers and businesses, a first step in the face of a rising interest rate environment is to assess their direct exposure to rising rates. How much of your debt is an adjustable rate, and how often does it reprice? How comfortable are you with that level of risk? For consumers, this may mean converting the ARM used to purchase a home to a fixed rate mortgage, or consolidating credit card debt into a fixed rate personal loan. For businesses, this may mean paying down debt, or entering into an interest rate swap, through which a third party assumes the risks of the rising rates on your floating rate debt in exchange for locking in a higher fixed rate. How will the impact of raising rates impact your cash flow. What actions will be necessary to maintain and even increase profitability.

For certain individuals and businesses, a look at the indirect impacts may be merited as well. For instance, home builders may want to start evaluating their project pipelines in anticipation of a slowdown in home price appreciation.

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## HEALTH SAVINGS ACCOUNT Q&amp;A

Inland Bank has been at the forefront of product and service innovation for many years. *InTouch* was curious as to how the Bank was fostering the adoption of Health Savings Accounts (“HSA”) by individuals, small, mid-size and large group companies and health-care intermediaries. We asked **Dina Derman**, Senior Vice President of Inland Bank’s HSA unit to describe the work her unit was engaged in and how Inland was growing its HSA program.



**Dina, give us a cliff-note version of the current HSA landscape.**

Since its inception over a decade ago, the HSA market to over 20 million enrollees in the U.S. Yet many healthcare experts, as well as savings and retirement experts like ourselves, feel the product is underutilized, especially since research shows that most retirees will spend an average of \$250,000 on out-of-pocket health costs during their retirement years, an amount that could represent a tremendous drain on most peoples’ savings. HSAs are an ideal vehicle to help put aside funds for future health care costs. HSAs are owned by the consumer, just like their checking or savings accounts, which means the account and the contributions in it remain the property of the account holder, even if that holder changes jobs or enrolls in a different health insurance plan.

**Are there other benefits in opening an HSA?**

One of the biggest benefits is that HSA contributions have a triple-tax advantage. First, contributions are tax free. Second, once the HSA reaches a minimum threshold, those funds can be invested and the interest and earnings on the investments are tax free. And

finally, unlike funds drawn from some retirement savings plans such as 401Ks, HSA holders do not pay income tax on funds when they withdraw the money for qualified healthcare expenses. In short, HSAs are a valuable financial tool for consumer, providing flexibility not only to cover short term medical expenses like doctor visits and prescriptions but most importantly a tax advantaged way to save for future medical costs.

**What’s Inland Bank’s go-to-market strategy for HSAs?**

We obviously offer our retail customers — current and future — access to the account but our primary approach to the HSA market is two-fold. First, we offer Inland’s commercial banking customers a turn-key HSA program where we help them establish the plan as well as enroll their employees. Employers can influence adoption of HSAs greatly by making employer matching contributions as well as by providing educational information concerning the benefits of consumer driven health plans like HSAs to their employees. We have developed an extensive consultative and educational approach to working with our commercial clients that lets them determine their optimal course of action.

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## TEAMWORK: MATTHEW MANNING &amp; JIM COX



Matthew Manning

Although he’s one of the newest members of the Inland Bank team at our Morton Grove location, Vice President, Commercial Banking Matt Manning brings nearly a decade of experience meeting the banking needs of Chicago’s small and middle-market businesses to bear when helping clients. Matt knows the area well, having grown up in nearby Park Ridge and attended high school just down the road at Maine South. Of course, being close to home is probably a good thing for Matt at this point in his life, having just, along with his wife, Diana, welcomed a newborn son.

Admitting that he is still somewhat of a sports fanatic — which sports? . . . “all sports” — Matt dreamed of becoming a sports broadcaster while growing up. He declares that he is a tried and true Cubs fan, with a somewhat tongue-in-cheek, “sorry, Howard,” (a nod to Inland President Howard Jaffe, a die-hard White Sox fan). But like an umpire in baseball, in banking Matt calls ‘em like he sees ‘em, noting that he’s passionate about transparency and honesty in dealing with clients because he strives “to help people make the best decisions for

their business.” For that reason, Matt especially enjoys working with clients who are motivated to take their business to the next level. He also shares Inland’s affinity for volunteerism — despite the time commitments associated with his new job and new baby, Matt finds time to serve on the boards of directors of two Chicago-area nonprofits.

When relaxing, Matt occasionally enjoys a good, aged single malt Scotch whisky, such as 18 Year Glenlivet. For good, but inexpensive food, he recommends Art of Pizza, but given the choice, Matt will choose a high quality burger every time. But don’t be fooled, he is no couch potato or desk jockey — from a sports perspective, Matt not only can “talk-the-talk”, he can also “walk-the-walk” — this high-(University of Dayton) Flyer played semi-professional soccer for a team “Down Under” in Brisbane, Australia, where he spent his junior year of college. So next time you are in the area, stop by and join *InTouch* in wishing our mate, Matt, a “G’day” and a hearty congratulations on the birth of his first child.



James Cox

For nearly 30 years, Inland Bank Vice President – Commercial Banking, James Cox has been in banking, most of it in the communities surrounding the southwest Chicago suburbs where he was raised. A native of Oak Lawn, Jim attend high school in neighboring Burbank at St. Laurence High School, where guided by mascot “Igor the Viking” and the Congregation of Christian Brothers, he received a strong, Chicago Catholic League education. As an aside, Jim strongly recommends Chuck’s BBQ (or as it is more formally known for you Yelpers, “Chuck’s Southern Comforts Café”) in Burbank as the best place to eat in Chicago for under \$20 a person. Growing up, Jim aspired to be a stock broker, but post high school graduation, got into banking as a commercial teller to help fund his college education at Chicago’s St. Xavier University, the oldest chartered college in the City of Chicago, founded by the Sisters of Mercy in 1846.

After graduating from St. Xavier, Jim entered banking full time, moving through positions in operations and branch management to lending. This wide-ranging banking experience has given

Jim a broad base of expertise from which to solve client’s problems. Over the course of his career, Jim has worked at a number of prominent suburban banks, joining the Inland Bank team in February, 2014. He enjoys banking because it allows him to help clients improve their businesses. Having worked at other institutions, Jim is especially appreciative of Inland’s team-based approach to problem solving.

Some of us in the banking industry joke that over the course of a day, a commercial banker needs to be a builder (to develop relationships), an athlete (to cover all of the bases), a fanatic (in support of your clients interests) and a firefighter (to deal with the inevitable crisis). Jim is well practiced in all of these areas — he’s refurbishing his house, plays 16-inch softball for fun, is a die-hard Blackhawks fan who travels to the occasional away game, and actually served as a real-life fireman for seven years.

In these roles, Jim wears many hats, but we take our hat off to Jim in tribute to his contributions to the Inland Bank team.



#### CLIENT PROFILE: AMERICAN HAULER

## Building for the Long Haul

We've all seen them on the highway — those single- and double- and even triple-axle tow-behind enclosed cargo trailers hitched to a pick-up or sometimes larger truck. They come in a wide variety of shapes, sizes, colors and trims. Some have plain white walls and stenciled signage advertising a landscaping service. Others have fancy high gloss green panels, chrome diamond plate sidewalls and racing stripes. Most don't have windows, or if they do, they are high up on the sides. Usually, when you pull alongside, you think to yourself, "I wonder what's inside?"

But did you ever wonder, "Who made that trailer?" One of Inland Bank's newest clients is Elkhart, Indiana based American Hauler, which manufactures cargo trailers for hauling vehicles for business and recreation purposes and for use by landscapers, contractors and tradesmen. Whether you need to haul a tractor, a racecar, a motorcycle, an all-terrain vehicle, or a mobile workshop, American Hauler has a product that suits your needs. The Company's main line of business is building state-of-the-art 21st century enclosed trailers. Its trailers support a wide array of applications from compact 4'x6' units to 50' triple axle goosenecks. You can explore their product line and discover the outstanding construction and value at [www.americanhauler.com](http://www.americanhauler.com).

According to American Hauler vice president Rick Disney, the Company's success is attributable to its high quality products and its history of standing behind these products. Founded over a decade ago by Paul Simeri, the Company prides itself on manufacturing top of the line products, noting that "A few of our competitors have some of our features, but none have them all." That emphasis on quality is reflected in American Hauler's banking relationship as well. Although the Company has only been a customer of Inland's for a short time, they have already been impressed with Inland banker Bob Grimm's responsiveness and flexibility in meeting the Company's business need.

So if you are looking for a high quality, American made enclosed cargo trailer to support your hauling needs, call RJ Morgan, Sales Manager, at (574) 264-0227, and he will direct you to a nearby American Hauler trailer distributor.



#### CLIENT PROFILE: REGISTRY STEAK & SEAFOOD

## A Delicious Business



For a quarter of a century, Lyons-based Registry Steak & Seafood Ltd. has been providing its customers with the highest quality steaks, seafood, poultry, pork and deli products across the United States for its niche customer base — home delivery food businesses. In 1989, Anthony "Tony" Migacz founded the family business, which processes King and Snow Crab legs for its customers and produces specialty products and gifts for home delivery businesses. Over the years, the business has established itself as a high quality alternative supplier for independent home delivery business operator who is seeking more operator friendly alternatives to the large wholesalers with greater market share (e.g., Omaha Steaks and Schwan's). You can learn more about Registry by calling Tony Migacz at (708) 458-3100 ext 1.

Firms like Registry that serve the independent home delivery food business rely on product quality and customer service to stand apart from their competition. As a result, they in turn value the exceptional customer service they receive from Inland bankers John Bramlette and Barb Fleming.

Now most of us might be satisfied with starting one successful business in the highly competitive food industry, but not Tony. Just for the halibut (pun intended!), he recently launched Cheesewich™ to bring a high quality, zero carb, gluten free meal alternative to stores nationwide. A Cheesewich — 1 slice of hard salami sandwiched in 2 pieces of cheese — contains 14–16 grams of protein and comes in 3 delicious flavors. The product is off to a fast start, and was nominated as a Top 5 Innovative Product at the 2014 Sweets & Snacks Expo. More information on Cheesewich is available at [www.cheesewich.net](http://www.cheesewich.net).



## Contacts

Need help? Contact one of the following commercial bankers:

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## MESSAGE FROM THE CEO

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Your Inland Bank team of professionals can help you and your business better cope with a rising interest rate environment. Although we have no more insight into the timing and magnitude of future interest rate increases than any of the other economic experts, we have the expertise to help you assess the potential impact of the rising rate environment on your situation, and product

and service solutions to provide you with the peace of mind that you are well positioned to deal with the shifting economic seas.

As always, we appreciate your business and continued confidence in Inland Bank. Feel free to call me or your relationship manager if you have any immediate needs.

## HEALTH SAVINGS ACCOUNT

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Second, we work with brokers and agents in the healthcare space offering private-label HSA plans to their clients. As a result of this national program, we have HSA account holders throughout the U.S. In both of these go-to-market strategies, Inland is the HSA holders' bank of choice.

### What are the fees to set up an HSA at Inland Bank?

None. In fact, the individual can open a health savings checking account for a minimum of \$100 or \$0 with payroll deduction. There are no set-up charges, no monthly service charges, no minimum balance to avoid service charges. We offer tiered interest rates on balances, a free Visa HSA debit card with no usage charges when paying qualified medical expenses, free online and mobile banking, free monthly statements and direct "live" bank support for questions related to an HSA. We think these benefits not only help our customers save more but give us a nice competitive advantage in the HSA space.

### Can anyone open a HSA?

There are some basic eligibility requirements to contribute to an HSA, including being enrolled in a HSA-qualified health plan; having no other health coverage as determined by the IRS; not being enrolled



**Dina Derman** has served in a variety of retail leadership positions for Inland Bank since 2007. She is Senior Vice President of Inland's Oak Brook-based Health Savings Account team. Dina currently serves as vice president and director of the DuPage Association of Health Underwriters, an affiliate of the National Association of Health Underwriters.

in Medicare; and, not being claimed as a dependent on someone else's tax return. There are new HSAs, rollover HSAs and transfer HSA opportunities...we help guide our current customers and prospective new customers through these and other questions about HSAs. We also remind people to consult their tax advisors for information about their tax savings and the ramifications if the HSA funds are used for other than qualified medical.

### While company group enrollments differ throughout the year, Open Enrollment for HSAs is November 15, 2014 through February 15, 2015. What's the best way for business owners, brokers and customers to learn more about the advantages of HSAs?

They can call me direct at 630.908.6413, email me at dderman@inlandbank.com or visit our website: www.inlandbank.com



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The Inland Real Estate Group of Companies, Inc.  
Torch Award Winner for Ethics in the Workplace  
Better Business Bureau of Chicago and Northern Illinois

