

2nd Quarter 2010

FINANCIAL PLANNING for RETIREMENT

43% of American workers have less than \$10,000 set aside for their retirement!

This information was developed in a survey recently conducted. If that isn't sad enough get this: in 2009 workers who said they had less than \$1,000 saved jumped from 20% to 27%.

It is understandable that in difficult economic times with a lot of people out of work that these numbers would look unfavorable, but it is more a habit than a single event in American society.

The gap between what Americans have saved and what they'd need for retirement is causing workers to postpone their retirement

date.

What is truly sad is that the survey found that only 46% of workers have even **tried** to calculate what they will need for a comfortable standard of living during their retirement years.

Further complicating this situation is that the life expectancy of Americans is steadily increasing. This simply means that more people will need more money to live longer lives.

Please feel free to call or come by and visit one of our professionals in the Trust Department. We can help you plan.

YOUR CREDIT SCORE

In today's financial environment it is critical to protect or improve your credit score. The one most lenders use is the FICO (a composite rating).

Many lenders have raised their requirement for the best rates from 20 to 40 points above previous levels.

Several things to do:

1. Do NOT be late on a payment
2. Do NOT carry a heavy debt load. (It impairs your debt utilization record.
3. Think before closing a credit line on a credit card. This will probably increase your debt utilization record.
4. Do NOT default on a loan. Your credit history lives on with you!

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Special points of interest:

- *How you can travel without reservations and without going through security, at bargain prices.*
- *Can you decline to be the beneficiary of someone's IRA?*
- *"Invictus" = "Unconquered"*
- *Our time on earth is finite.*

TRAVEL BY BUS??

Depending on where your travel plans take you and how long you have to get there, you might want to think of traveling by bus. People think in terms of driving, flying or even riding the train.

Advantages of bus travel include no reservations required, ability to book and print tickets online, no long security lines, very comfortable coaches with plenty of seat room and on-board restroom. Some newer busses by Greyhound have five **fewer** seats which vastly increases leg room. They also feature free on-board wi-fi, video entertainment and power outlets at each seat.



Travel by Greyhound bus from Little Rock to Dallas takes as little as 5 hours and 5 minutes (includes one 15-minute stop) and the full price is \$63. The same trip via Southwest Airlines takes about 1 hour flying time and costs \$130. (Be sure to factor driving to the airport, in-terminal and security screening times when calculating time to travel!)

You are likely to find discount or promotional prices. If you haven't traveled by bus during the past 20 years you will find it a different experience.

TRIP INSURANCE

If you have ever planned a cruise or overseas flight and had a family emergency or became ill at the last minutes, there is a good chance that you lost your money. That does not need to happen.

Many travel agents will offer trip insurance when you book or you can go online and buy insurance. A good site to visit for good and reasonably priced trip insurance is www.accessamerica.com.

If you use a travel agent, he may book can-

cellation insurance that pays your cost minus the premium if you have to cancel. This will not usually include medical coverage.

Most people forget about medical coverage when going outside the U.S. You should check with your health insurer to verify that you have coverage outside the country (or not).

People with Medicare insurance do NOT have coverage outside the U.S.

TAX RETURN ERRORS

In the event there is an error on your tax return and you owe the IRS additional money, who is responsible? The taxpayer is always responsible in the eyes of the IRS.

If you use a tax preparer then you might have some protection. Both H&R Block and Jackson Hewitt will cover costs of penalty and interest if they make an error. In order to cover additional

payments, you may be able to get that coverage for as little as \$30 to \$50 as a kind of insurance policy.

If you use an online service or software such as TurboTax, be sure to check for this protection. Ultimately you pay.



WHO INHERITS YOUR IRA?

At your death your IRA will be given to someone. That someone will not only inherit money, but also the tax liability it will bring with it. The document that governs to whom this money is passed on is not your will, but the beneficiary-designation form you signed. The funds will pass directly to that person. If your Primary Beneficiary pre-deceases you, then it will go to a Contingent (or Secondary) Beneficiary.

It is important to keep this beneficiary-designation form up to date. And by all means, check to see that your IRA (as well as 401(k) or other retirement plan) does, in fact, have the form in file. If it is out of date or the beneficiary has died, then the next named individual will receive the funds. If there is not a form or if all named beneficiaries have pre-deceased you, then this money will flow directly into your estate. This can trigger unplanned and potentially serious tax issues.

When your beneficiary inherits your IRA there are three things he/she might want to do:

1. Begin taking distributions based on life expectancy and pay taxes on it as ordinary income.
2. Take a full, lump-sum distribution and pay all the taxes due.
3. Disclaim the inheritance (within 9 months) and it will go to the next named beneficiary.

Call us or come in and visit. We will be happy to work with you to determine your best options.

GREAT MOVIE FOR GROWNUPS

Clint Eastwood did it again when he directed Matt Damon and Morgan Freeman in the film "Invictus". It tells the story of Nelson Mandela (Freeman) of South Africa who was freed after 27 years in prison during the time of apartheid.

Mandela used the country's national rugby team to unite blacks and whites in the 1995 World Rugby Cup matches in Johannesburg. This was the

first time all games were played in the same country. The team was captained by Francois Pienaar (Damon), an Afrikaner who became friends with President Mandela. The team won the World Rugby Cup.

The movie is an amazing story of trials, wills and reconciliation. The cast is superb and the story is legendary. It's a great way to spend a pleasant afternoon or evening.

ESTATE PLANNING

Sometimes people ignore the inevitable: we are not invincible. Our time in this life is finite and will end.

If you have worked to amass some assets during your working years, it is prudent to plan for the disposition of those assets at your death.

You may want certain family members to have certain assets. You may want to designate certain

assets to a social or charitable organization. The appropriate way to make this happen is to write a will and perhaps a trust.

Contact one of our Trust Department professionals for help. We will be happy to get you started.



YOUR TRUST DEPARTMENT

First Arkansas Bank & Trust (FAB&T) has a long and proud history of service in central and north central Arkansas. We are a state-chartered bank, chartered by the State of Arkansas, and regulated by the State Bank Department and the Federal Deposit Insurance Corporation (FDIC). We have a full-service Trust Department, a brokerage office, and a mortgage company, First Arkansas Mortgage Company, a wholly owned subsidiary of the bank.

The Trust Department was granted trust powers in 1972, and provides investment and trust services to individuals (Personal Trust), businesses (Employee Benefit Plans), and Corporate Trust in the form of servicing bond issues. The Trust Department manages approximately \$100 million in assets for its clients. Assets under management have grown over 40% during the past ten years. The service provided is professional, confidential, personal, and utilizes the finest resources available in market research, investment information, and administrative systems. For the past 11 years we have had only one personnel change in our staff—stability! Because we utilize technology, we are able to do more with less and thus keep costs low. You can depend on us.

The Trust Department of First Arkansas Bank & Trust is large enough to provide the quality of service its clients deserve, and small enough to provide a level of personal service appreciated by its clients.

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