



# Trust News

*Place Your Trust In Us*

4th Quarter 2007

## EMOTIONAL CHANGES OF RETIREMENT

Retirement can create some shock and emotional swings to the new retiree's system

Often the decision to retire is driven by the size of the nest egg set aside to fund the

retirement years. With good health, a new retiree may choose to travel to places never visited, downsize the home, join service organizations or learn new skills.

Sometimes overlooked in that transition are emotional challenges like a change in identity and questions over self-worth and purpose, which can undermine and tarnish the "Golden Years".

One retiree who had worked at major corporations all of his career was accustomed to introducing himself as "Jack Smith, Vice-President of Operations for XYZ Corporation". After retiring he stated that he lost his

identity—who he was as defined by his work. He stated that he had to adjust to not being part of the corporate world and being an individual with personal interests and talents.

Another serious aspect of retirement that should not be overlooked is medical coverage. Even though Medicare can begin at age 65, there are many expenses it does not cover. So there is the task of sorting through all the supplemental programs and deciding which one is right for coverage and which is affordable. A tremendous emotional shock comes when the retire suddenly realizes he/she does not have proper coverage and is too old to change it.

The person planning to retire should carefully weigh not only financial issues, but also the emotional and identity ones.

## DOLLAR COST AVERAGING

In the world of investing the term "Dollar Cost Averaging" simply means consistent, even-handed investing without regard to market timing.

If you invest \$50 every month in a mutual fund or stocks regardless of whether the market is up or down, that is called

"Dollar Cost Averaging". You will average more "up" days than "down" days because historically the market always has an upward line over the long term.

Consistency is the key, not market timing.

### Inside this issue:

Triple Digit Market Swings	2
	2
	2
	3
	3
Contact Our Staff	4

### Special points of interest:

- *Keep those stock market swings in perspective!*

# TRIPLE DIGIT MARKET SWINGS

---

Sometimes it's wise to have a "reality check". We saw some pretty wild swings in July 2007. In mid-July the Dow Jones Industrial Average (DJIA) closed above 14,000 one day. Within a week that measure of stock prices dropped several days with three digit drops in each.

It is not wise to be too worried about triple digit swings in the DJIA because with the current value (13,000-14,000) a 100 point swing either up or down represents only 0.8% of a change in the market.

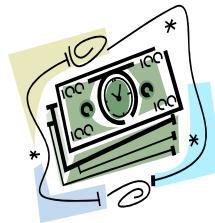
In 1987 a 100 point swing represented 4.4% of the market's value of about 2,300! Compare that value to today's level and see what the difference is!

In order to have a 4.4% swing in market value today, there would need to be a 550 point shift in either direction. It's like the old saying that \$10 (pick a

number) won't buy what it used to. The same principle applies to the stock market. A 100 point swing simply doesn't mean what it used to some 20 years (or 10 years) ago.

Historically the stock market has gone only in one direction over the long haul: UP. The periodic pulling back can be compared to letting air out of an overheated tire rather than letting it cause a blowout.

When you see the market correct downward, that most often is a healthy move. Sometimes the medicine just seems bitter!



---

# GOOD BUSINESS MAKES GOOD SENSE!

---

Remember late last summer when the stock market, after hitting 14,000 on the Dow, promptly tumbled about 1,000 points within about three weeks?

Do you also remember the reason? Economists and market analysts told us it was because of so many home mortgage defaults in the sub-prime lending market.

Certainly you know that “sub-prime” simply means borrowers who couldn’t afford to buy a home were offered loans using “creative accounting” ideas. Ideas which simply caused borrowers with weak credit to dig themselves into a deeper hole.

Those “creative” lending products include those which require no repayment of principle, just payment of interest. This did nothing but mask the obvious weakness which is that the loan may never be paid off. It also deluded “sub-prime” borrowers into a false state of anticipation that they could buy a bigger house than they might otherwise be able to buy and bet that the property would appreciate. Both ideas doomed from the beginning.

Another bit of creative financing was putting weak borrowers into a loan with a low “teaser” rate and an ARM (Adjustable Rate Mortgage). Again,

this led these borrowers into a fantasy world where they felt they might earn enough more money before the monthly rate went up so that the increased mortgage payment could be handled. This usually is coupled with the fantasy that real property always appreciates in value. So, one more time, reality is ignored.

So the question arises: who is to blame? The borrower/buyer who can’t really afford the house? Or is it the financial institution who offers a faulty loan product to an underqualified borrower?

Bottom line: Good business makes good sense. This principle holds true in personal saving and investment. Call us at 985-4030.



# YOUR TRUST DEPARTMENT

**FIRST ARKANSAS BANK & TRUST** has a long and proud history of service in 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 \$130 million in assets for its clients. **Assets under management have grown over 60% during the past nine years.** The service provided is professional, confidential, personal, and utilizes the finest resources available in market research, investment information, and administrative systems. **We have had exactly the same staff members for nearly ten years — stability! 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 people who have accumulated some wealth.

---

## CONTACT US VIA E-MAIL OR TELEPHONE

### **PAT TEAGUE**

Senior Vice-President  
Manager - Trust Department  
(501) 985-4039  
pteague@firstarkansasbank.com

### **JOHN McNEE**

Vice-President  
Trust Officer & Investment Officer  
(501) 985-4032  
jmcnee@firstarkansasbank.com

### **ROBIN BOYKIN**

Vice-President  
Assistant Trust Officer  
Operations Manager  
(501) 985-4031  
rboykin@firstarkansasbank.com

### **GAIL CROWDER**

Operations Specialist  
Bonds / Disbursements  
(501) 985-4030  
gcrowder@firstarkansasbank.com

### **JO ANDERSON**

IRA Specialist / New Accounts  
(501) 985-4033  
janderson@firstarkansasbank.com

### **BETH HEGARTY**

Operations Specialist / Daily Processing  
(501) 985-4036  
bhegarty@firstarkansasbank.com



## **First Arkansas Bank & Trust**

600 West Main Street P.O. Box 827 Jacksonville, AR 72078

501.985.4030 or 800.982.4511

[www.firstarkansasbank.com](http://www.firstarkansasbank.com)