



Protecting your most valuable assets

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1st Quarter 2007

Trust Department Newsletter

BE SURE TO FUND YOUR IRA

This is the time to fund your Individual Retirement Account (IRA) for 2006 if you haven't already done so. You have until April 15th to make your contribution for 2006.

The maximum amount you can contribute will remain the same in 2007 as it was in 2006:

Under 50: \$4,000 Over 50: \$5,000

The Trust Department will help you decide how best to place your funds in your IRA. You may prefer investing in a Certificate of Deposit (CD), mutual funds or stocks. We will be happy to provide you with options.

Another issue that we can help you with is whether to contribute to a Traditional IRA or a Roth IRA. Earnings from a Traditional IRA are taxed as as

ordinary income as they are distributed when you retire. Earnings from a Roth IRA are tax FREE. They will not be taxed when withdrawn at retirement.

There may be certain tax advantages for you if you contribute to a Traditional IRA that may not be available with a Roth IRA.

Please call Jo Anderson at 985-4033 or call Toll Free at (800) 982-4511. She will go over your situation with you and explain your options.

When it is time for you to take a mandatory distribution (after age 70 1/2), that will all be calculated for you so that you avoid any penalty for not taking a timely and accurate distribution.

Jo Anderson: 985-4033 or (800) 982-4511

INVENTORY YOUR DOCUMENTS

January is the time to inventory your important documents: life insurance policies, auto and homeowner's insurance and medical insurance. Be sure the coverage is still adequate.

Make a list of the contents of your safe deposit

box so that your family can find important documents. Be sure all these documents are in a safe deposit box and not stored in drawers and shelves throughout your house.

Insure that your Living Will and Health Care Power of Attorney is readily available. Be prepared!



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Special points of interest:

- *What does the future look like with new Democratic majorities in Congress?*
- *How about alternative energy?*
- *Treat yourself!*
- *Estate planning.*

CONGRESS: WHAT NEXT?

With the Democratic party gaining control of both houses of Congress, there is a natural concern by investors. The unknown is always a bit scary, but some economists have made some guesses concerning which economic sectors will benefit from a Democrat controlled Congress and which will not.

Health Care (Loser): some analysts think the Democrats will press drug manufacturers for lower prices to pass along to consumers. This could hurt profitability.

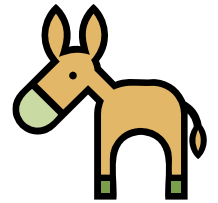
Defense (Loser): it is unclear what the Democrats in Congress can do to force the President to change policies in Iraq, but there is still some concern that the massive weapons buildup for Iraq as well as civilian contracts to companies such as Halli-

burton may be cut back.

Stem cell researchers (Winner): investors are hoping that a Democratic Congress will be more open to developing this technology. Remember that President Bush still has veto authority.

Alternative energy (Winner): it is expected that a Democratic Congress will be more pro-active in seeking alternative sources of energy such as solar, wind, and sea. Nuclear energy is another topic!

None of these is a given because the winds of politics blow in strange directions. Be sure to stay attuned to what happens in the halls of Congress.



PARTICIPATE IN YOUR 401(K)!

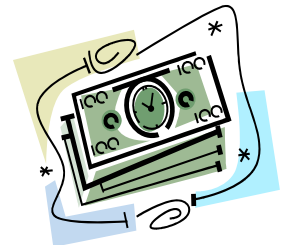
If your company has a 401(k) retirement plan, you should seriously consider contributing money to it. This is especially true if they match part (or all) of your contribution.

Any type or amount of "match" is nothing but "free money". It's the best way to get an immediate return on your investment.

If you are in your 20's or 30's be careful not to

be too conservative in your investments! You have plenty of time to weather the market's inevitable fluctuations over time.

As you near retirement then you will want to become more conservative. Feel free to call anyone on our staff to discuss your 401(k) plan.



ENERGY ISSUES

Don't you sometimes wonder why we are still so dependent on fossil fuels in this country? If you remember the gas lines of the early 1970's during the Nixon presidency, then you probably remember the promises from lawmakers to "do something about it".

In Europe approximately 45% of all electric power is generated by nuclear power plants. New nuclear power plants are being built in Nigeria, Romania,

Ukraine, Argentina, Brazil and as well as other nations throughout Asia. The largest nuclear power plant in the world will come online in 2010 in Olkiluoto, Finland.

There are large wind farms in Hungary. There are also wind farms in this country in California. Technology is being developed to harness power from incoming and outgoing tides.

Perhaps some day we will see real progress.

TREAT YOURSELF!

If you have the desire and the money, try going some place you've never been to. If you have a deep interest in American history, spend four or five days in Boston, Philadelphia or Washington, D.C.

If you are a beach person, try going to the Florida panhandle—say the Destin area. If you don't mind leaving the U.S. try going to the little Central American nation of Belize. You should then go via water taxi or commuter flight to one of the little islands off the coast. You will find some of the bluest seas and whitest sand in the world! And the official language of Belize is English—Belize is a member of the British Commonwealth.

Maybe mountains are your pleasure—then head to Peru in South America. Fly into Lima, then

to Cuzco and take a wonderful 3-4 hour trip on a marvelous electric train further into the Andes Mountains to Machu Picchu, the ancient Inca city.

Perhaps you prefer Europe—your choices are many. Rome, the Eternal City, is a favorite destination. The ancient structures are mind boggling, but remember that the Euro is very strong against the U. S. dollar so it will be expensive.

A less expensive destination and just as historically interesting is Prague in the Czech Republic. They still use the Czech Krona so it's not so expensive.

For a short but pleasant weekend getaway try hopping a plane to St. Louis or to Dallas. Either one is less than an hour away by air. Enjoy!

ESTATE PLANNING

If you are like most people you have given some thought to what happens to your assets after your death, but have just never gotten around to doing something about it. It is true that many people have difficulty facing up to their own ultimate mortality.

Make a resolution this month to correct that shortfall in your life by beginning to plan for how you want your estate to be handled at your death. There are several documents you might need to consider:

- Will
- Trust
- General Power of Attorney
- Living Will
- Health Care Power of Attorney

A Will (may have to go through Probate Court) tells your heirs and the state where and to whom you want your assets distributed at your death.

A Trust (does not go through Probate Court) allows you to determine not only who gets what, but

how much and when. In effect, you control the distribution from the grave!

A General Power of Attorney is your authorization for a person of your choosing to serve as your representative for conducting your personal financial affairs during a time of mental or physical incapacity. This POA terminates at your death.

A Living Will is a document you sign that states how your medical treatment is to be handled and to what extent you want health care providers to go when providing critical care.

A Health Care Power of Attorney has become very important now that many health care providers may not honor your Living Will wishes for fear that a family member may bring legal action against them for failing to take extreme measures to save your life. The HCPOA allows someone of your choosing to speak in your behalf when you are unable to do so.



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 eight 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 the same staff members for over eight years—stability!**

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

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