



**First Arkansas  
Bank & Trust** Member FDIC

*Protecting your most valuable assets*



**4th Quarter 2006**

**Trust Department Newsletter**

## SO HOW DO I INVEST NOW?

As this Fourth Quarter begins, the financial markets have hit an all-time high on the Dow. The NASDAQ has recovered much of its value since the great slide downward in 2000.

Just last quarter we were experiencing all-time high prices for gas at the pump, and then after Labor Day it began dropping very nicely. At the same time there are a record number of new, unsold houses on the market causing noticeable softness in the housing market. For the first time in several years existing home prices have fallen rather than risen during the past 12 months. While there have been increases in mortgage rates, they have not been great and rates are still at historically favorable levels.

Inflation seems to be holding at a manageable

rate. There is, however, increasing lateness in credit card debt. In spite of all this, unemployment is holding at very healthy, low numbers.

With all that said, what is the investor supposed to do? We believe that several things are appropriate:

1. Add to your investments regularly.
2. Continue to invest whether the market goes up or down.
3. Diversify your investments using a range of products which include cash, bonds, stocks and mutual funds.

Please contact John McNee at 985-4032 for assistance in planning your investment strategy.

## DOLLAR COST AVERAGING

"Dollar Cost Averaging" is quite simply the practice of not trying to predict or "play" the market. Simple, straight forward investing of a stated number of dollars in a good investment on a regular basis.

When a saver/investor does this, his dollars will

be consistent whether the market is up or down. By regularly buying into the market, one gets some good buys and some not quite as good. But in the long run, the "averaging" of purchases and normal growth has proven to be an effective way of investing for the future. This principle should be used in IRA's and 401(k) programs.



### Inside this issue:

Analyze Your Portfolio	2
A Special Gift	2
Health Care Power of Attorney	2
Retire? Really?	3
Maximize Your Retirement	3
Contact Our Staff	4

### Special points of interest:

- *Why not an oral history?*
- *How to be sure your health care wishes are honored.*
- *Are you really sure you want to retire?*
- *Maximize your 401(k) retirement savings*

# ANALYZE YOUR PORTFOLIO

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The Fourth Quarter of the year (OCT–DEC) is the time to analyze your investments. If you have money in an Investment Management Account (Agency), you should decide if there are some underperforming funds or stocks. This will be the proper time to sell and take the loss on your income tax for 2006 (April 15, 2007). The sale (and subsequent loss) must occur prior to December 31.

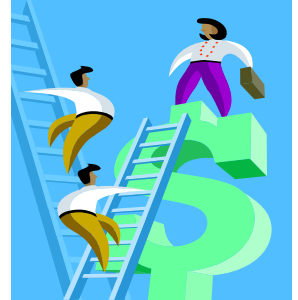
If you believe it is an inherently good investment that has gone down a bit, then you might want to hold on to it. Otherwise it is good financial management to recognize the loss for tax purposes and reinvest in something else.

If you have some investments inside your self-directed Individual Retirement Account (IRA)

or in your employer's 401(k) plan, that you believe are underperforming, you may also want to adjust those investments. Just remember that you will get no tax benefit from selling inside an IRA or 401(k), since those plans are tax-deferred.

But it is always wise to evaluate your investments as the year begins to close out. There is no reason to stay invested in a stock or a fund that is not performing well just because there is no immediate tax benefit.

Please feel free to call any of our professionals at 985-4030.



# CONSIDER A SPECIAL GIFT

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You might want to consider a special gift for your children this Christmas: an oral history.

This is the type gift that might make a real impression on your children. Most of us know precious little about our parents other than what happened to us as they were raising us.

Just make notes or type "bullet points" and then, using them, start talking into a simple recording

device. They will be interested in where and under what circumstances you were born. What you did as a kid and why you do what you do now.

They will appreciate hearing it in your own voice, also. Even if you think you have had a "dull" life, honor them with your story.



# HEALTH CARE POWER OF ATTORNEY

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Even if you have developed your Living Will, you should execute a Health Care Power of Attorney. The Living Will simply tells family and health care providers how you want your illness to be handled.

Many health care providers are afraid to honor such wishes because family members may argue or disagree, leaving the provider subject to legal

action. If you grant someone Health Care Power of Attorney, then he/she will be authorized to speak and act in your behalf in the event you cannot. This document should be readily available and should be kept current.

You should be certain that the person to whom you grant this authority fully and completely understands your wishes and will honor them.

# RETIRE? REALLY?

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So you're anxious to retire! STOP and think about that. Are you SURE golf is that great? Soaking up the sun in Florida—maybe, but that could be expensive.

Many people find after they retire that what really got them going each morning was going to work!

Maybe working fewer days a week would be nice. Maybe even getting into a new "career" would be a challenge.

There's plenty of evidence that busy people are happy people. More and more retirement age people are finding that

they are living longer and are in better health than their parents. Therefore it may be that traditional retirement at the traditional age is something that you will want to rethink.

You also have to be aware of health-care costs. Even when you reach the age that you are eligible for Medicare, there is that supplemental insurance that you will need.

Carefully consider your options and your needs before jumping out of the workforce.

## MAXIMIZE YOUR RETIREMENT

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If you work for a company that has a 401(k) retirement plan, you should consider participating in it, even if you have an Individual Retirement Account (IRA). If you have neither, then start putting money into your 401(k) plan.

Some 401(k) plans have a matching feature that makes investment in them very attractive. Some company plans will pay 25 cents, 50 cents or \$1 for every dollar you contribute up to a certain percent of your gross earnings. If your plan will match 50 cents, then that means for every \$10 you contribute, the company will contribute \$5. That's an immediate 50% return on your investment! Pretty good.

That matching amount will usually be subject to a "vesting schedule". In other words you must work for several years for

that matching money to be 100% yours in your account. The amount you contribute will always be 100% yours. If anyone in the plan leaves the company, then the unvested portion of their account will be prorated to all participants in the plan. So you will win that way, also.

If your plan has a profit sharing provision, check it to see when that is calculated. Should you leave your company to go somewhere else, it just might be in your interest to "time" your departure so that you can share in that year's profit sharing amount!

Try to maximize your contribution to maximize the match. Some day you'll need it



# 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 50% during the past seven years.** The service provided is professional, confidential, personal, and utilizes the finest resources available in market research, investment information, and administrative systems.

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.

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