



**First Arkansas
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3rd Quarter 2007

Trust Department Newsletter

UPDATE YOUR ESTATE PLAN

By now most of us have tired of the seemingly endless legal wrangling associated with the Anna Nicole Smith case which involves her infant daughter, Dannielynn, deceased son, mother, and lovers.

There is, however, a very important lesson to be learned from this media event. The lesson: **KEEP YOUR ESTATE PLAN UP-TO-DATE!**

Ms. Smith's will named her son, Daniel Wayne Smith, as the sole heir, but he died in September 2006. Further, her will stated that she "intentionally omitted to provide for my spouse and other heirs, including future spouses and children."

The basic problem is that Ms. Smith purposely threw her entire estate into a limbo. She intentionally left her "future children", which in this case is the

nine month old daughter, Dannielynn. The child stands to inherit up to \$500 million from Ms. Smith's estate pending the final outcome of her long-running lawsuit with the family of her late husband, the 90-year old J. Howard Marshall.

Any responsible financial advisor will help his/her client avoid such a difficult quandary for the beneficiaries. There should always be a contingency placed into estate planning documents to preclude this type of situation.

Dannielynn will now have to file suit, in her own right, to receive access to this inheritance.

Call one of our trust professionals at 985-4030 to arrange a convenient time to discuss your plans. There is no charge for this service!

THE REST OF THE STORY...

Anna Nicole Smith filed for bankruptcy in 2000. She has since been living off gifts, loans, goods and services, all in the expectation that she would receive a huge financial statement from the estate of her late husband. The law suit filed against the estate has been in progress for 10 years!

Ironically Ms. Smith's estate probably is not worth much: as little as \$100,000, but most certainly no more than \$1 million, according to knowledgeable sources. In order to get any settlement Dannielynn will have significant legal expenses in her battle to receive the money it is presumed will eventually be hers.



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Special points of interest:

- *Be sure you don't leave the U.S. without health coverage. Often foreign health care providers want immediate cash payment.*
- *How to give up to \$100,000 to charity free of taxes! (You have to be age 70 1/2)*

HEALTH INSURANCE OUTSIDE U.S.

If you are planning to travel outside the United States, be sure to check to see if you have medical coverage.

The standard policies of some U.S. health insurance providers will provide limited coverage for some things. Companies such as Aetna, Cigna and Humana are among those who provide some insurance outside the United States.

Check your policy carefully or call your provider and ask questions. It is impossible to anticipate every possible scenario, but you should plan for the unexpected accident or illness.

Do not expect countries such as Canada or England to provide free medical care—that's only for

citizens of those countries. And you will be expected to pay up front and then file a claim using your time and your expense with your carrier. It can take weeks or even months to be reimbursed.

If you depend on Medicare and a Medicare supplement for health insurance, then you have no medical coverage! It is good only in the 50 States and Territories.

You can buy relatively inexpensive health insurance coverage for the duration of your trip. It can be purchased from several vendors by phone or on the Internet. One reputable vendor is at www.accessamerica.com.

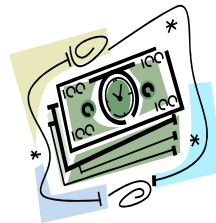


RETIREMENT INCOME PLANNING

When you do your financial planning for retirement you will, of course count all your sources of monthly and/or annual income. This will include pension plans, 401(k) plan, IRA's and Social Security.

Then you will count up all recurring monthly bills, including supplemental health insurance to cover that portion not paid by Medicare. Don't forget to allow for prescription medications!

In today's world a 65 year old person certainly can expect another 20, if not 30 years of life. Plan so that you will not run out of money while you live!



Be sure to factor inflation into your planning. You should plan to increase your monthly/annual expenses by 3.5% to cover inflation.

MAXIMIZE OUR SERVICE

If you name First Arkansas Bank & Trust as Trustee of your trust, be sure to maximize our services. The fee we charge is flat—no unseen or hidden fees. We do not charge for cutting checks, for writing letters, or any other services.

If you want us to receive your mail, pay your bills, assess your real and personal property, just ask. There is no additional fee! About the only thing we can-

not do for you is sit for the picture for your Driver's License!

The only additional fee you will ever see is if you trade stocks, the fee that Stephens Investments charges will be passed through to your account without being marked up.

Let us help you get the "biggest bank for your buck". Call 985-4030 if you have questions.

MARKET GYRATIONS

The first two quarters of 2007 have seen some exciting up and down movements in the equity markets. In February the U. S. stock market suffered a 416 point drop in the Dow Jones Industrial Average (DJIA), a 5 1/2 year record. This was apparently started by a significant drop in the Shanghai market drop.

Then U. S. markets recovered and proceeded to break all-time highs over and over as Spring came and went.

In early June the U. S. markets dropped again and bond rates increased. Then by mid-June those losses were erased and stocks went up again. All the time mortgage rates for housing began to move up, creating concern in the home building industry.

What does this tell you, the saver and investor? It simply says that you should invest for the long term. It says that you should diversify: own some stocks (solid, not speculative), own some bonds, and keep some cash on hand.

Today's economy is no longer a national economy. The U. S. is part of a world community of trading partners. That partnership with nations in the Western Hemisphere, Europe, Near, Middle, and Far East is constantly being adjusted to meet real market conditions. Every "tweak" in one area of the trading community is met with a resulting need for readjustment elsewhere.

Nothing is "status quo" now, but if you make solid, diversified investments, you will reap the happy end of asset growth.

TAX-FREE GIFTS!

If you are age 70 1/2 and must take a Mandatory Retirement Distribution (MRD), a new federal law enacted in August 2006 allows you to gift up to \$100,000 to a qualified charity and not pay income tax on the withdrawal from your IRA.

The way this works out is that you make the gift to your favorite qualified charity directly from the trustee of your IRA. You will then not incur any income tax on the amount of distribution you take.

Qualified charities under this law include scholarship funds, designated funds, interest funds and unrestricted funds at community foundations. Religious and charitable organizations are typically qualified.

You may wish to establish a scholarship honoring a loved one. You might want to help fund a musical program at a civic or religious organization. You could give money to the American Cancer Society or to a local hospice organization. You might want to give money to the building fund at your church.

Whatever your disposition, there is a good avenue for making a tax-free charitable contribution this year.

The only hitch is that the new law allowed this to be done **ONLY** in 2006 and 2007! Since 2006 is past, you have only one more chance to take advantage of this opportunity to help your favorite charity without incurring taxable income!

If you don't know the amount of your required distribution in 2007, please just call Jo Anderson at 985-4033 or (800) 982-4511. She will be happy to let you know the amount so that you can make your plans.

We will then send your tax-free contribution to your designated charity before the end of 2007.

If you have questions, please call.



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

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