

CHECK EVERYTHING !

The new year has begun and January is a good time to inventory and check all your personal business.

Check your Will to see that what it says is still what you intend to be done with your assets at your death.

Check your Trust and be certain that every asset has been titled in the Trust's name and that the provisions in the Trust are still what you want.

Check your Living Will. Be certain that the appropriate family member(s), physician, or professional has a copy of the document so that your wishes regarding medical treatment will be honored in the event of your physical and/or mental incapacitation.

Check your insurance policies to be sure that the named beneficiaries are still current. Be sure that all policies are safely stored in a safe deposit box and that the appropriate family member or someone else of your choosing can access the box in the event it's needed.

Check to be sure that the amount

of life insurance is appropriate. Do you have enough to pay off your liabilities in the event of your death? Will there be adequate for your family to be able to continue its present lifestyle? Do you still need all the life insurance you needed five or ten years ago?

Have a planning session with your spouse, family, and/or professional advisor to be sure everyone understands his/her responsibility in the event of your mental or physical incapacitation and/or death. Refusing to talk and plan will not make it go away!

Make a list of all the documents listed above, as well as any others you might have. Keep the list in your safe deposit box and give a copy to the appropriate individual who will need it when you are no longer able to handle your business.

Check to see if you need Long-Term Care Insurance. If so, contact a provider and prepare to be able to handle your future in the event of physical disability and still pass assets to your heirs.

January is the "Check it" month!

ASSISTED LIVING COSTS

Assisted Living costs average \$2,159 per month or \$25,908 annually according to a survey by the MetLife Mature Market Institute. Though the definitions of "assisted living" vary, it is a concept where an older person pays for a private room in a facility where activities are planned and all meals are prepared and served.

The facility usually provides a lim-

ited level of individual care, up to and including help taking medicine. These extra services usually cost above the basic rate.

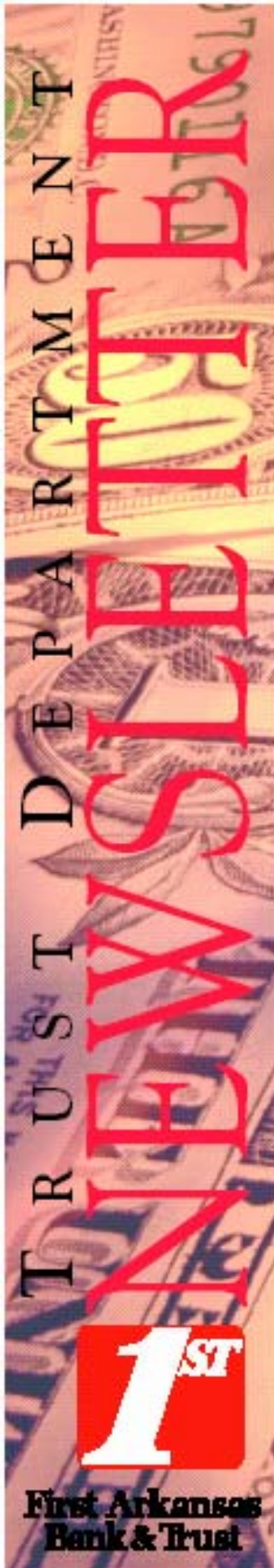
For licensing rules in Arkansas, go to www.ncal.org and click on "2001 Assisted Living State Regulatory Review". To locate a facility, call the Eldercare Locator at (800) 677-1116.

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Special points of interest:

- *What about investing in 2003?*
- *It's IRA time— maximize the opportunity.*
- *Company-sponsored retirement plan rule changes.*
- *Don't fail to claim an investment loss on your tax return in April 2003!*
- *Maybe this is a good time to travel.*



INVESTING IN 2003 !

It's a good question: "Where should I invest my money in this new year?" If any of us could foretell the future, we could make a LOT of money doing that! So here goes!

For at least two years we have seen a down market. Many people have lost a lot of value through sinking stock prices. Rule Number One says: "A down market doesn't last forever". So it is reasonable to expect that we will see some improvement in the market in 2003, though you shouldn't expect to see the rates of return we saw in the late 1990's.

Rule Number Two says: "Diversification is important". Don't expect to find the miracle stock that will bring your portfolio completely out of the doldrums. We suggest you look at a mix of stock and bond mutual funds which are less volatile because of diversification. During a period of market inflation the value of bonds goes down. Watch carefully and act accordingly.

Rule Number Three says: "Buy stocks that are undervalued". There are some stocks that have been beaten up pretty badly during the past couple of years. Don't assume that just because a certain company's stock is trading at historical lows that it is a

good buy. It may be that the company has serious problems and just might be contemplating bankruptcy. Do your homework.

Many investors prefer to buy shares in mutual funds where the risk is spread among many companies in a given sector. If you like the idea of investing in large companies with a proven track record, you may prefer to invest in a fund that mirrors the S & P 500. You might prefer a fund that buys only U. S. Government issues.

Call John McNee at 985-4032, or one of our other professionals. We'll be happy to work with you.



TIME TO CONTRIBUTE TO YOUR IRA !

You have until April 15, 2003 to make a contribution to your Individual Retirement Account (IRA) for tax year 2002.

If you have not opened your IRA yet, this is a perfect time to do so. You may make a lump sum any time prior to April 15 for the preceding tax year. Or you may make periodic contributions during the year. We will be happy to work with you to set up a monthly draft of your checking or savings account for your contribution.

You may have a Traditional IRA or a Roth IRA. We will be happy to explain the advantages or disadvantages of both these

retirement accounts. These may present a tax advantage to you. For 2002 you can contribute as much as \$3,000 (the limit formerly was \$2,000). If, however, you are over age 50 you are allowed a contribution of \$3,500.

"You have until April 15, 2003 to make a contribution to your Individual Retirement Account (IRA) for tax year 2002."

Call Jo Anderson at 985-4033 and get more detailed information. Better yet, just come in and visit. You will be glad you did.

WHEN CAN/MUST I TAKE MONEY FROM MY IRA ?

You CAN withdraw money from your IRA without incurring a penalty after you reach age 59 1/2. You MUST take money from your Traditional IRA after age 70 1/2. Not only must you take money from your Traditional IRA after age 70 1/2, but you must take an amount that would theoretically deplete the account during the balance of your lifetime.

You CANNOT continue to contribute to your Traditional IRA after age 70 1/2, though you CAN continue to contribute to your Roth IRA.

The money you withdraw from your Traditional IRA is

usually taxed at your current ordinary income tax rate. The money you withdraw from your Roth IRA is NOT usually taxed.

If this sounds too confusing, it could be but needn't be. Simply call Jo Anderson in our Trust Department at 985-4033. She will help you remove the mystery and the guess work from your IRA.



PLAN for your retirement I

CHANGES IN RETIREMENT PLAN RULES

In 2001 there were changes to the tax laws that affect your employer-sponsored retirement plan. These changes went into effect in 2002.

total contribution allowed.

Age 50+ "Catch Up Provisions"

<u>Annual Contribution Limits</u>	
Pre-2002	\$10,500
2002)	\$11,000
2003)	\$12,000
2004)	\$13,000
2005)	\$14,000
2006)	\$15,000
2007)+	Indexed to Inflation



	<u>Add'l</u>	<u>Total</u>
Pre-2002	\$0	\$10,500
2002)	\$1,000	\$12,000
2003)	\$2,000	\$14,000
2004)	\$3,000	\$16,000
2005)	\$4,000	\$18,000
2006)	\$5,000	\$20,000
2007)+		Indexed to Inflation

There are also provisions whereby individuals age 50 and older can "catch up" by contributing more to their retirement plans. The next table shows the additional amount allowed and the

Under the new tax law graduated vesting has changed from a maximum of seven years to only six years now. This refers to the amount of the employer's contribution that belongs to the employee.

INVESTMENT LOSSES? CLAIM ON YOUR TAX RETURN !

If you lost money on investments during 2002, you may be able to use your losses to reduce your tax bill in April 2003.

Generally, realized capital losses are first offset against realized capital gains. Any excess losses can be deducted against ordinary income up to \$3,000 (\$1,500 if married filing separately) on line 13 of Form 1040.

Capital gains and losses on the sale or trade of investments are classified as either short-term (one year or less) or long-term on Schedule D of Form 1040. Generally a net capital loss is directly deductible from ordinary income up to the annual limit.

Remember that a "paper loss" - a drop in an investment's value below its purchase price—does not qualify for this deduction. The loss must be realized through the asset's sale or exchange.

"You may be able to use your losses to reduce your tax bill in April 2003."

See your tax preparer for details. Also you can go to www.irs.gov for more information.

THIS MAY BE A GOOD TIME TO TRAVEL !

If you are looking for bargains for your travel dollars, this is an excellent time to shop. One of the easiest ways to do this is to look on the Internet for bargains. As an example: look at www.southwest.com to see what Southwest Airlines has to offer. You can find some excellent vacations packages there. There are now direct flights between Little Rock and Las Vegas, along with good hotel rates. Look in the vacation package section for other good buys to other destinations.

Many people have been concerned about flying since 9-11-2001, but security is better now than it was before. This may be the time to travel if you are not afraid of flying.

Cruise lines have a lot of capacity available, so if you look for special rates due to the "off" season, you may get an especially good price.

Or you may prefer to let your travel agent to the searching. At any rate, enjoy !





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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, which is 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. 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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