TRUST DEPARTMENT NEWSLETTER

First Arkansas Bank & Trust

1st Quarter 2004

THIS IS CHECK-IT TIME !

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 members, 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!

INTEREST RATES

Unless something very unexpected happens early in 2004, it appears that the Federal Reserve will allow interest rates to remain at their present 45 year lows.

This is good news for borrowers and not-so-good news for savers.

The Federal Reserve is anxious to see more job growth and healthier profits before increasing interest rates. Conventional wisdom says that it very well might be mid-2004 before interest rates are raised, an then very little.

All of these things point to a recovering economy that is becoming increasingly healthy. All the while the market is growing and beginning to produce good profits again for investors.

Inside this issue:

Special points of interest:

- *Health Care Declaration (Living Will)*
- *Ways to Save Money for:*
  - *Retirement*
  - *College*
- *Take Charge of Your Medical Treatment*
- *Visit Us on the Web*

YOUR HEALTHCARE DECLARATION

Many people do not want extreme measures taken when they are terminally ill. Under the law you may declare, in writing, how you want medical care to be administered (or NOT administered). This is often called a "living will".

There is an excellent web site that you may want to visit. It is provided by Partners for Caring, Inc. It provides you forms for the "Arkansas Declaration" (living will) and "Arkansas Durable Power of Attorney For Health Care". The second is a document you may execute to empower an individual of your choice who understands your wishes and preferences to act in your behalf in the event a terminal illness leaves you unable to speak for yourself. Both these forms conform to Arkansas law. The forms for other states are also at this web site: www.partnershipforcaring.org.

You will also find a document called "Introduction To Your Arkansas Advance Directives" which clearly and simply explains what the two documents are and what they do for you.

If you have not included these two documents in your estate planning, this is a simple way to do so. This allows you to state your preferences for artificial nutrition and artificial hydration (tube feeding) during a terminal illness. Your living will ("Arkansas Declaration") allows you to state your personal wishes, but the "Arkansas Durable Power of Attorney For Health Care" allows the individual of your choosing to speak in your behalf when you are unable to do so.

Health care providers are sometimes hesitant to withhold artificial nutrition and hydration even though a living will is very clear. Situations like this usually require a family member or friend who has been empowered by your health care power of attorney to speak in your behalf.

If you would like to have more information, please call.

GREAT SAVINGS IDEA: 401(K)

One of the best bargains in the investment community today is the 401(k) plan that many companies offer their workers. This is true in spite of last year's tragedy at Enron.

Often a company will offer some kind of match for every dollar the worker contributes to the plan up to a certain percentage of his/her gross pay. Some companies offer 50 cents match for every dollar the worker contributes up to 5% of the gross pay. That provides an immediate 50% return on the investment. The matching amount and the percentage limit of gross pay will vary from company to company. This is an example of

"immediate gratification". Seldom is one able to find this kind of immediate gain on an investment.

Even if the company does not match, the contribution is pre-tax. It is always better to pay tax later at a lower rate.

If you're not participating now, you might start now.

SAVING FOR COLLEGE EXPENSES

There are several ways to save money for your child or grandchild's college education. The Education IRA, now called a Coverdell Education Savings Account, is still around, and allows you to invest up to $2,000 per year in the account. This new amount is up from a maximum of $500 just a couple of years ago.

There is a state-run college savings plan called a 529. A 529 plan does not require that tax be paid on the distribution to the student when it is made. This type plan gives more flexibility in terms of amount to be invested. You are limited by standard investment allocations, determined by the age of the child. In other words, the younger the child the more aggressive the investments. As the child approaches age 18 (college age) the investments become more conservative. But throughout the life of the account, preservation of capital is of utmost importance.

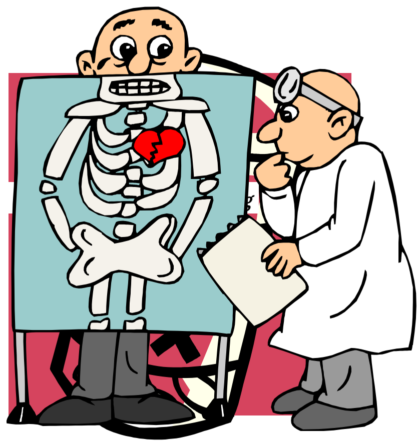
For more information about saving for your child's education, please call us at (501) 985-4030.

TAKE CHARGE OF YOUR TREATMENT

Here are some good questions to ask your medical provider:

1. What does that mean?
2. How is that procedure done?
3. How much does this procedure cost?
4. Will my insurance cover all the cost?
5. What are the possible side effects?
6. How many times have you done this?
7. What is your rate of success?
8. I want to get a second opinion from outside your medical group.

These are seemingly simple statements, but all too often people do not ask these and many other questions about medical procedures that are being prescribed for them or their family members.



We ask all kinds of questions before we buy an automobile or a house, but seem unable to ask them when it pertains to our own health treatment.

Never accept an invasive procedure without being confident that physical therapy or some other form of alternative treatment will not solve the problem.

All of the above applies generally to elective procedures rather than emergency procedures. In an emergency we usually are required to make swift decisions and exercise a great deal of faith in our health care provider.

Your health care provider is normally very appreciative of your interest.

REDUCE YOUR ESTATE: "GIFT" YOUR ASSETS

For many years the amount you can "gift" to someone in a year has been capped at $10,000.

"Gifting" decreases the value of your estate, thus avoiding tax consequences above the sheltered amount.

Don't forget that you are able to "gift" as much as $11,000. This is a 10% increase ($1,000) above what had previously been allowed.

A husband and wife can now gift $11,000 **each** to a grandchild, thus reducing the value of their estate by $22,000 in one year. You can do the same for every grandchild, as well as for children. This can significantly reduce the amount of your taxable estate over time. This is a tax planning device that can easily be overlooked.

Gift up to $11,000 per year!

One final note of caution: Once you have "gifted" the money, it is no longer yours and you cannot control it.

Call us at 985-4030.

VISIT US ON THE WEB

You can find this newsletter posted on the World Wide Web at our bank's web site: www.firstarkansasbank.com. Click on the tab titled "Trust Services" in the left margin.

This part of the web site has several pages of information about the Trust Department. On the first page of the department's information you will find a button that will lead you to the current newsletter.

In addition to the current newsletter, you will find all issues back to January 2001 archived for you to read. Each quarter, as a new newsletter is published the preceding one will be archived so that you can look at it at a later date.

Each quarter we try to give you ideas and information that are useful and interesting. We talk about investing, saving, travel, health and long-term care insurance and estate planning ideas.

You will find articles about wills, trusts, living wills, etc.

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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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