



**First Arkansas
Bank & Trust** Member FDIC

Protecting your most valuable assets

Protecting your most valuable



1st Quarter 2006

Trust Department Newsletter

A TOTALLY NEW PRODUCT!

We have a new investment product that we are able to offer our clients in 2006. This group is six asset allocation models based on a Nobel Prize winning strategy called Modern Portfolio Theory (MPT). MPT models are designed to provide optimal returns on a risk-adjusted basis.

The building blocks behind each allocation model are designed and managed by **Dimensional Funds Advisors (DFA)** headquartered in Santa Monica, California. DFA was founded in 1981 and bases its management style on a number of Nobel Prize winning economic theories. DFA manages over \$82 Billion in assets for some of the largest corporations and some of the wealthiest individuals in the world.

Until recently First Arkansas Bank & Trust was

not able to offer this group of asset allocation models to its clients. It is a group of models that uses a "passive management" process and has historically given its investors significantly higher rates of return.

These portfolios can include certain percentages of both income (bonds) and growth (stocks) investments and can be chosen based on each individual or entity's risk objectives.

This is a premium offering and it does come at a slight additional cost. We simply pass through the cost to us and add it to our normal fee. The additional cost is 3/10 of 1% per year.

We would like to discuss this offering with you personally. Please call us at 985-4030 or come by for a visit.

NO FEE INCREASE

For the fourth straight year in a row the Trust Department will NOT have an increase in fees. Compare this with your other expenses and we believe we bring good value to our clients.

We urge you to look at your investments and/or trust to see how we can better serve you. It will cost

you no more to have us do more work for you. The fee is the same no matter how much or how little you ask us to do.

Call Pat Teague at 985-4039 to discuss your own special needs.



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Special points of interest:

- April 17, 2006 is the last day to contribute to your IRA for 2005.
- You might need a living trust.
- Why 2006 may be an important investing year for you.
- Learn more about the new DFA models and their history.

FUND YOUR IRA NOW

You have until Monday, April 17, 2006 to contribute to your Individual Retirement Account (IRA) for calendar year 2005. You have an extra two days this year since the 15th falls on Saturday.

If you have an existing IRA, you can just call Jo Anderson at 985-4033 or (800) 982-4511 and she can help you on the telephone without your having to come into the bank.

If this is your first time to open an IRA just call Jo at one of the numbers above and she can still save you time by doing much of the work with you on the telephone.

For 2005 you can contribute up to \$4,000, or if you have reached age 50 you can contribute up to

\$4,500. For 2006 the "Under 50" limit is the same, but if you are over 50 in 2006 your contribution ceiling goes up to \$5,000.

You also have other choices: a "Traditional" IRA or a "Roth" IRA. Jo can explain the differences between the two. You may want to consider opening and contributing to a Roth IRA since there are clear tax advantages for some people.

Either way, we encourage you to invest in your future. Call Jo Anderson at 985-4033.



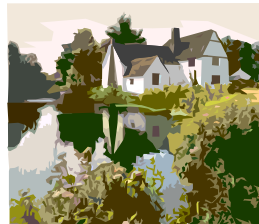
IS YOUR HOME PROPERLY INSURED?

In the aftermath of Hurricane Katrina, it is only good management to review your home and property insurance.

You should check with your insurance agent or provider to see that you have properly valued and insured your property.

If you have not reviewed coverage in several years there is a good chance that your coverage could

be seriously out of date. You should take into account the current cost of replacing your house.



You should also video each room and its contents. If not that, then at least take pictures and keep them in a safe deposit box with a listing and valuation attached.

WHY A "LIVING TRUST"?

A "Living Trust" (revocable) is one that you control and can change as you wish—hence the term "living". You have the opportunity during your lifetime to direct not only WHO gets your assets, but you can direct WHEN (age or year) those assets are distributed after your death.

If your assets and personal situation warrant setting up a trust you can avoid the time and expense of

having your estate go through the probate process. In addition, it remains private (not public record) when assets are placed in a trust. Your heirs will not have to wait the usual months for your assets to be held or distributed as you wish. Call 985-4030 to set up a free appointment to discuss your situation.



INVESTING IN 2006

Investing in 2006 will be similar to investing in any other year. Take a long-term view to investing and the peaks and the valleys will tend to appear more level.

During the dark investing days of 2001 and 2002, it seemed as if all good investing opportunities had been forever lost. In fact, those who viewed that time as one of opportunity, bought low and have, for the most part ridden the market upward.

While it is important to periodically review one's investments, it is a mistake to pay too much attention to the daily news or market reporting sources such as CNBC. It is important to remem-



ber that such sources of "news" are in the business of selling papers and magazines or building viewership. No one likes to report that everything is running smoothly. Shock and tragedy sell better than stability.

We suggest you review the underlying strengths and weaknesses of each investment and then act accordingly.

At this time 2006 appears to be a good year for investing. We would like to help you in planning for your future. Our Investment Officer, John McNee can help. Call him at 985-4032.

MORE ABOUT OUR NEW PRODUCT

The "passive management" style used in the new **Dimensional Funds Advisors (DFA)** differs from the usual method of investing. DFA fund managers set parameters for all stocks or bonds of like types such as Large Cap, Small Cap, International, etc. Those parameters involve consistent profitability, balance sheet strength, sales, and if a stock, it has to have been traded publicly for more than three years. They then invest in all stocks that meet these requirements. They review the mix quarterly and keep it current.

With this type of management there is no chasing of "hot" stocks or trying to outguess the economy. This is why it is called "passive management". The rates of returns have been consistently above average since the founding of DFA.

In the past only clients with \$1 million would be accepted as investors. Through partnering with a firm called TrustAxys, these models with their excellent historical rates of return have been brought to community bank trust departments such as First Arkansas Bank and Trust. In fact, we are the only trust department in the state of Arkansas that cur-

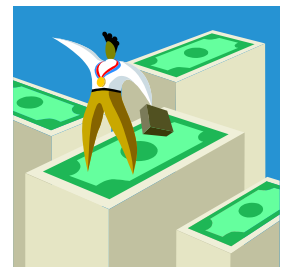
rently offers this product. We have chosen to offer it in an effort to provide the best possible investment vehicles for our clients.

Since this is an investment group that has traditionally handled only large net worth clients, it costs us about 3/10 of 1% of the value of assets invested in a year's time. We simply pass that added cost on to our client, but the historical rates of return make that cost minimal.

The historical rates of return for each model for the past 10 years:

Equity (100%)	13.28%
Equity/Bond	
(80/20%)	11.99%
(60/40%)	10.61%
(40/60%)	9.16%
(20/80%)	7.63%
(0/100%)	6.05%

Call 985-4030 for details.



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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