



**First Arkansas
Bank & Trust**

**TRUST
DEPARTMENT**



2d Quarter 2005

FINE TUNING FINANCES

This is the perfect time to fine tune your finances for 2005. Assuming you have filed your income tax returns (you have until April 15 on both Federal and State returns), then some "tweaking" of your finances is in order.

First, review what you are contributing to your Individual Retirement Account (IRA). For 2005 the maximum contribution has been raised to \$4,000 (or \$4,500 if you are over age 50).

If, when preparing your income tax returns, you determined that you were not having the correct amount of tax withheld, ask your employer for a new Form W-4 and make that change before the year progresses any further.

It is now time to review all insurance coverage: life, medical, long-term care, and automobile. None of these should be left to chance or just left alone because "it looked good when I purchased it five years ago".

Make a concentrated effort to place all receipts or other documents that have tax consequences in specific folders so that when it is time to prepare tax returns for 2005, you will be ready.

Why not set up and use software programs for personal finances such as Quicken or Money? If your tax returns are not too complicated you might want to use Turbo-Tax or some similar program for your 2005 tax returns. You can simply download information from your personal finance software

REDUCE CREDIT CARD DEBT

Any time is the right time to reduce credit card debt. Simply paying the minimum payment will not benefit the cardholder, but rather the card issuer.

The first thing to do is make credit cards inaccessible. Lock most

(or all) of them in a safe deposit box. See if this helps you not use them. Some people have to resort to cutting them up!

Finally, just develop a program of paying down the balances. No credit card debt will feel good!

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Special points of interest:

- * *How much debt?*
- *Is your car likely to be stolen?*
- *Analyze & diversify your investments.*
- *Make your house more valuable.*
- *Do you have the right beneficiary named?*

DEBT-TO-INCOME RATIO

In working on your financial status it is important to grade yourself (your family) on the debt-to-income ratio. It is simply the percentage of your debt repayment to your income, either monthly or yearly.

Less than 20%: a good ratio. You might want to scale back if you are planning a large purchase in the near term.

21-35%: you are approaching an overload of debt service to your income. It's time to be careful.

36-50%: it's time to evaluate your total financial situation, spending habits, and goals. You should develop a plan to get out of debt and lower your payments. You are probably unable to save and invest for your future.

51% or more: get help to get your debt in check. All your income is going into today's life and none is being set aside for later years.

It is wise to develop a budget and then each month track what is actually spent. If you're honest with yourself, you may be surprised how much is being spent. Example: eating out, "pocket money", so-called miscellaneous expenses. While a budget cannot be an absolute measure of your financial habits, at least it gives you a baseline for comparison. A poor plan is usually better than no plan at all. It's not too late to begin.



CHECK YOUR CREDIT SCORE—FREE!

You are now entitled to a free copy of your credit report once every 12 months, starting June 1, 2005. Check it carefully to be sure everything is correct. If you find errors, report them and provide written proof in the form of copies of checks, statements, etc. If you spot a weakness work to correct it. Close all your credit cards except the one with the best rate, even if you have outstanding balances, and continue making payments on those until they are paid off. If

you must keep a card with a high rate of interest, call and ask for a lower rate. You might get it. The worst you will get is "No".



Go to www.annualcreditreport.com to request your free report.

In our area it is available June 1.

HOW LIKELY IS YOUR CAR TO BE STOLEN?

The National Insurance Crime Bureau (NICB) has listed the top 10 stolen cars:

1. Toyota Camry
2. Honda Accord
3. Honda Civic
4. Oldsmobile Cutlass/Supreme/Ciera
5. Jeep Cherokee
6. Chevrolet full-size pickup

7. Toyota Corolla
8. Ford Taurus
9. Chevrolet Caprice
10. Ford 150 pickup

How do you rank in theft probability? The moral of this story is to always secure your vehicle.



HOW TO INVEST MONEY

The first thought that comes to mind is: CARE-FULLY!

It is important that the investor place his/her money into those investments that fit his/her investment philosophy.

For someone who cannot stand the thought of losing money one week or one month, a savings account or a Certificate of Deposit (CD) might be appropriate.

If you prefer income with a small amount of volatility you might consider investing part of your money in government or corporate bonds.



If you believe that in the long run stocks always outperform more conservative investments, then invest in those. This implies a long-term commitment with periodic reallocation of investments. It also presumes that you will not spend every day watching MSNBC or another financial TV channel and worrying about every small market change.

Diversifying your investment is critical. It is best summed up by the old saying: "Don't put all your eggs in one basket".

Please call John McNee at 985-4032 for investment help.

KEEPING YOUR HOUSE "NEW"

While you can't always control what your neighbors leave in their yard or driveway, you can control what your house looks like.

There are three things that are simple and tend to help maintain (or increase) the value of your house.

1. Keep the yard well mowed and edged.
2. Regularly re-paint wood siding and trim.
3. Keep shrubs trimmed and close to ground.

These three things will make your house always look newer. Peeling or faded paint on wood is a strong indication of poor maintenance inside. Shrubs that grow tall and are allowed to be very full make a house look old. New houses always have smaller, well trimmed plantings. Finally, keeping the yard mowed, edges trimmed and cuttings either collected and removed or blown helps. These a small but important home maintenance ideas.

CHECK YOUR BENEFICIARIES

It is very important that you check the beneficiary designations of your life insurance policies and retirement accounts.

If you fail to change the beneficiary designation as your major life changes occur, your current wife might be cut out of your life insurance proceeds in favor of your former spouse. This happens—and cannot be changed after the death of the insured.

If the insured fails to name a beneficiary of his/her retirement account, whether 401(k) or IRA, there is a danger that the assets will be thrown into the taxable estate.

It is important to check these details now. Call 985-4030 to talk.





www.firstarkansasbank.com

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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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