



RETIREMENT ACCOUNT INSURANCE

The Federal Deposit Insurance Corporation (FDIC) has announced a final ruling that effective April 1, 2006 deposit insurance coverage for retirement accounts will increase from \$100,000 to \$250,000.

This increased coverage includes bank deposits in both Traditional and Roth Individual Retirement Accounts (IRA). It also includes self-directed Keogh accounts and "defined contribution plans" such as 401(k) accounts.

The basic insurance coverage of bank deposit funds will remain at \$100,000.

The new rules provide that the \$250,000 insurance coverage for retirement funds is **in addition** to the \$100,000 insurance coverage on bank deposits

in non-retirement accounts at the same financial institution.

The new rules also provide for an increase in coverage but only every five (5) years beginning in 2011.

For customers of First Arkansas Bank & Trust this means that if you have funds deposited in the bank in a money market account, checking accounts, savings accounts or certificate of deposit (CD), those funds are still insured up to \$100,000. **Additionally, if you have money in your IRA invested in CD's those funds are insured up to \$250,000.**

If you have questions about this new rule, please contact Jo Anderson at the Main Office in Jacksonville either in person or by calling. (See Page 4)

RETIRING SOUTH OF THE BORDER

According to the *Dallas Morning News* last year more than one million Americans now live in Mexico at least part of the year. About half of the million live there year round.

Though prices have increased they are still low

by U.S. standards. Real estate taxes on a \$300,000 house are about \$300 per year.

Many creature comforts we have become accustomed to are now available in Mexico. It's relatively close and easy to get to by air.



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Special points of interest:

- *Some health care professionals want more than a Living Will when extending critical medical care.*
- *To help reduce debt cut up most credit cards or at least place them in a safe deposit box so they are not convenient to use!*

SAVE MORE MONEY

One of the most important keys to financial security in the future is to save more NOW.

If your employer has a 401(k) plan, contribute to it. If you can't afford much, then contribute at least something and then at your next raise allocate one-half of the raise to your 401(k). It is also important to try to contribute enough to get what your company requires to get the full company match.

If you don't have access to a 401(k) plan, then save money for the future in an Individual Retirement Account (IRA). Just ask and we'll simply draft your checking account on the day of the month of your choice. Jo Anderson, our IRA specialist will help you set that up.

When you pay off your auto loan, keep making those payments into a special Savings Account. By doing this you will start building up a cash reserve for the purchase of your next car. Eventually you can get into a cash only auto purchase position! This also provides a cash reserve for emergencies.

Automate everything. Any funds you want transferred from one account to another on a regular, recurring basis should be automated. We can do that for you. Any time you want to change frequency, date or amount we can help.



HEALTH CARE POWER OF ATTORNEY

We have all heard how important it is to have a Living Will prepared to express our individual wishes as to the length to which medical care should be extended in the event of serious or terminal illness.

Some medical providers are reluctant to accept that declaration at face value, so it is important that a person grant Durable Power of Attorney for Health Care to some trusted family member or friend.

This allows that individual to speak in your behalf if you are unable to do so.

He/she will then act as your voice to reaffirm your wishes for how long and to what extent medical treatment is to be continued.

Copies of this document should be readily available in the event of your illness.



CUT YOUR TAXES

While it may be too late for this year's tax season it definitely is time to plan for NEXT year.

Start by investing in an accordion file that you use to sort paid bills that might qualify as a deduction on your tax return for 2006.

Save such things as your real estate bill, mortgage interest statement, receipts for charitable contributions, statements documenting investment losses, and

unreimbursed business expenses such as travel and entertainment costs. If you have someone else prepare your taxes this will be helpful.

If you use a computer program such as Quicken, you post transactions through the year and then download to TurboTax for preparations of returns.

You can save on your tax bill by being organized.

PROTECT YOUR FAMILY

55% of Americans do not have a will. There is probably a simple reason this is true: most people deny their own mortality. It is difficult for some families to speak rationally of money and death. If a family does not honestly face and plan for the inevitable, then there may be serious emotional and financial problems that develop between siblings and other heirs after one's death.

If your spouse or children are reluctant to discuss money and death, start the conversation by talking about someone who did not plan and the problems that resulted from that inaction.

Protect your family by determining who is to receive your assets. when they are to receive these assets.



How these assets are intended to be used (pay for education, etc.). Who will be Guardian of your under-age children? Who do you want to be the Executor of your estate?

Your own personal situation will dictate whether a simple will is adequate. You may need to consider a trust. With a will alone your estate will be likely subject to probate and the expenses associated with that. With a trust you can control not only the recipient of your assets, but also the timing.

Please call one of our trust professionals at 985-4030 or (800) 982-4511 to begin your planning process.

GET OUT OF DEBT

In this era of easy credit it is all too common for people to adopt a mental attitude that a piece of plastic (credit card) is not really money. Too many people learn the hard way that ultimately it really is money.

To ease credit card debt start by simply NOT carrying a credit card. Pay with cash. Use cash for lunch money or even for dining out in the evening.

When only plastic will do (as in buying a product online) then use your debit card. The debit card can also be used as an emergency supply of cash in the event you run out. But always check your checking account balance to insure that you do not incur non-sufficient funds charges.

If leaving the cards at home is not strong enough, then either cut up all but one or two. Or, if you feel it necessary to have six or seven cards, leave all but one in your safe deposit box at the bank. Make the cards inconvenient to access.

If you consistently carry a balance on your card(s), shop for competitive interest rates. You may want to transfer balances. It is important to

find out what the annual fee (if any) is. On existing credit cards you may want to simply call the company and ask for a no-fee account. Often they simply grant that status upon request. It is appropriate, if they deny the request to drop the annual fee, to point out that there are plenty of cards that do not have that fee.

When paying off balances, concentrate on the cards with the highest rate of interest. Make minimum payments on cards with lower rates of interest. Above all, avoid late payments. This will cause serious damage to your credit history and credit score. In addition, it can cost a lot of money in late charges.

Whatever your debt and to whomever it is owed, make a list and prioritize it from the standpoint of rate and importance of paying off. It will take awhile to bring debt under control. It didn't get out of control overnight nor will it be corrected overnight.



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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