

ECONOMIC RECOVERY?

We've been hearing about the economic recovery for over a year. We're all wondering when it will materialize to the extent that our investments will **grow** again.

Stocks of retailers such as Wal*Mart and J C Penney have been doing well, though there has been some grumbling that merchandise is not moving off the shelves as quickly as expected.

During the Second Quarter of 2002 Wal*Mart exceeded sales forecasts of analysts.

Financial stocks such as banks, brokerage firms and insurance companies have shown quite a bit of growth and strength. Banks have been writing off bad loans during the past year. This action alone has strengthened their balance sheets. Underwriting standards have been tightened, making loan portfolios more solid and less inclined to default.

The telecommunication and technology sectors have been unstable, keeping those stocks from being attrac-

tive to a lot of investors. While the market for cellular devices may look saturated, the numbers don't support that position. In Europe, Asia and South America larger percentages of the population own and use cell phones than in the United States. This should mean that there is room for growth in both sales and profits in this country.

The stock market continues to be volatile, even though economic indicators have shown quite a bit of strength in the last quarter. New manufacturing orders continue to increase. Labor efficiency continues to rise. Home loans remain strong with affordable rates. All these positive signs will ultimately lead to a strengthening of the economy and a more stable market. All of that means that investments will once again experience growth.

It is easy to caution investors to be patient, but it is difficult to actually exercise that virtue! Every "down market" in the past has been followed by an "up market". This one will be no exception.

When the market rebounds it would be wise to be sure your investment portfolio is diversified to insulate it from the next "down market".

SOCIAL SECURITY CAN DO IT!

You can have taxes withheld from your monthly Social Security payment to cover estimated taxes due on this income.

You can select one of four withholding levels: 7%, 10%, 15% or 27% of your monthly benefit.

Simply complete Form W-4V and take it or mail to your nearest Social Security office.

You can order the form by calling Social Security at (800) 772-1213 or going on the Internet at www.ssa.gov.

You can download the form and mail it in. Within about 60 days the amount you request will be automatically deducted from your monthly benefit. After year-end your 1099 from Social Security will show how much was withheld in taxes.

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Special points of interest:

- *What you should do to regain your identity.*
- *401(k) may be the best return available in spite of poor market performance.*
- *Which IRA: Roth or Traditional?*
- *How to invest in the Kaufman Fund*
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WHAT HAPPENED TO PENSION REFORM?

After the Enron scandal broke, many employers and employees took a long, hard look at how their pension plan (most often a 401(k) plan) was set up.

Individuals who work for a large, publicly traded company sometimes found that their only investment choice was the stock of their employer company. Almost always the company match (if any) to the employee's contribution was in company stock.

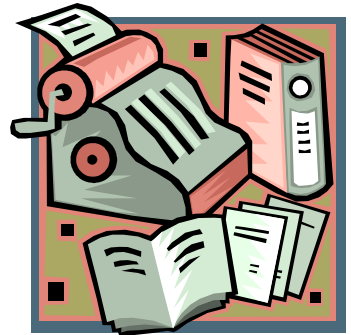
To make bad matters worse, there frequently are rules which prohibit the employee from selling the stock, even if they retire, until a specified age.

Members of Congress have taken the position that something must be done to protect workers from such a narrow scope of available investments for their pension plans. Many in Congress feel that laws must either be revised or new ones written to address the needs of pension plans in the 21st Century. Both the Senate and the House of Representatives have drafted legislation to address these issues.

At this time the legislation appears to be bogged down by partisan bickering and also by corporate lobbying. Some parties are urging that legislation be carefully thought through and not be the result of a "knee jerk" reaction. The prospect of any legislation being completed in 2002 is not encouraging.

You can contact your Representative and Senators to urge them to do several things:

- 1. Prevent employers from overloading worker retirement accounts with company stock.**
- 2. Ensure that workers have the right to diversify their 401(k) plans.**
- 3. Encourage employers to provide independent investment advice to 401(k) participants.**



WHAT TO DO ABOUT "IDENTITY THEFT" !

What should you do if you learn that your identity has been "stolen"? As far-fetched as it seems, this practice has become more common place.

In order to speed the process of clearing your name, there is now one standard form to file. The Federal Trade Commission has developed a standardized "ID Theft Affidavit" form to help you alert banks, stores, creditors and others to the problem.

This practice can cause untold damage to your credit

and your ability to borrow for a home, a car, or personal needs. Go to the Internet at www.consumer.gov/idtheft/affidavit/htm or call (877) 438-4338 toll free for help.

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Either way you can get help to learn about recovering your identity and your credit standing. In the meantime, always protect your check book and credit cards from those who might steal.

PLANNING THE FUTURE THROUGH YOUR 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.



Get a Higher Rate of Return !

ROTH IRA OR TRADITIONAL IRA?

The Individual Retirement Accounts (IRA) that are available have been made better than ever this year.

If you don't know which type of IRA is best for you (Roth or Traditional) just consider the following. The Traditional IRA will be taxable at your current rate when you begin to take money from it. Presumably you will be in a lower tax bracket during your retirement years than you are in during your working years.

A Roth IRA is not taxable at all! This should not be a difficult decision to make. Not being taxed is better than being taxed!

If you have had a Traditional IRA for years, you can just quit contributing to it and open a Roth and contribute only to it in the future.



The only consideration you need to keep in mind is that you cannot withdraw money from the Roth without a significant penalty unless it has been open a minimum of five years. If you are within five years of taking distribution from your IRA for living expenses, then you would not want to open a Roth.

The limits for contributing to your IRA were raised for 2002. Up until now you were limited to \$2,000 annually, regardless of your age. You can now contribute up to \$3,000—if you are over age 50, you may contribute up to \$3,500. The amount will go up again in 2005, increasing each year until 2008, at which time it will be indexed for inflation.

For more information, call Jo Anderson at 985-4033.

EAT SALMON FOR YOUR HEART'S SAKE !

Major studies indicate that eating fish can protect your heart and possibly save your life. Eating fish at least twice a week seems to reduce the risk of heart disease by more than 30%.

The chemical benefiting the human heart is called omega-3 acid, found in oily, fatty fish. Fish such as salmon, tuna, mackerel and herring appear to lower cholesterol and prevent dangerous blood clots and irregular heart rhythms that can lead to sudden cardiac arrest.

It is also acknowledged that fish is most healthy when

grilled or baked. Avoiding the breading and grease used in deep frying enhances the benefits of eating fish. In addition to eating the fish, French fried potatoes should be avoided in favor of

steamed vegetables. The combination of grilled/baked fish and vegetables can pay dividends in quality of life.

In addition to the chemical benefits, weight control will be made easier.

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KAUFMAN FUND NOW AVAILABLE

We are now able to offer our clients a well-established mutual fund with a long history of excellent returns. The Kaufman Fund is available through Federated Investors, Inc. Federated bought the Kaufman Fund as a single entity, along with the two founders and managers.

The Kaufman Fund has been managed since 1985 by the same two managers: Hans P. Utsch and Lawrence X. Auriana. The fund has \$3.8 billion dollars under management. The fund's investments are Mid-Cap Growth funds.

The fund concentrates its investment in small and mid-

size companies that are reasonably priced and exhibit positive growth characteristics. Since its inception in 1985, the fund has averaged a return of 15.8% per year. This is an exceptional record.

We would be happy to provide you with more detailed information. Call John McNee at 985-4032.





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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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