



**First Arkansas
Bank & Trust**

**TRUST
DEPARTMENT**



4th Quarter 2004

PREPARING FOR 2005

This is the time of year to prepare for 2005. During the last quarter of 2004 you should review your portfolio to see if there are any investments that have shown a loss that you might want to sell and recognize. This will allow you to deduct that "realized" loss from your income tax return for 2004 which is due to be filed by April 15, 2005. Any sale must be completed by December 31, 2004.

Other ways to prepare for 2005 include reviewing investment opportunities that show promise during the coming year. It is fair to question whether you should move out of bonds more into equities, given the interest rate environment.

We can be certain that interest rates will only go up during 2005, continuing the moves that Federal Reserve has made during the current year. The 45-year lows in interest rates will not continue. This change will most certainly affect the investment climate. Again, this quarter is the time to evaluate your current investment position.

Another issue the prudent investor will examine carefully is the political climate surrounding the presidential election in November. It would be impossible to predict who will win the election, much less how the winning candidate will affect the economy. There is one thing certain: a presidential election always affects the country's investment mood. It is important to keep this in mind as you prepare for 2005.

The real "wild card" in this quarter will continue to be the war in Iraq. This uncertainty almost certainly will continue into 2005. One very important issue is whether the troop levels will be increased. If so, where will the troops come from: the regular forces? Or will even more troops be deployed from the National Guard and Reserves? If the latter is the chosen course, how will that affect the civilian community? What kind of impact will this have on employers and their businesses?

There are few certain answers to the questions and issues raised here, but it is important for you, the investor, to continue to watch and be aware of what is affecting the investment climate. By doing so, you will be a wise and better informed investor (and hopefully wealthier!).

YOUR CELL PHONE

Did you ever wonder if your cell phone calling plan was the best you can find? If so, you probably looked at other plans and became more confused than ever!

You might go online to www.letstalk.com and enter your zip

code to quickly scan through different service offers. You can also get in-depth comparisons of plans in your area.

This might help you feel that you are getting the most for your money. It's called financial planning.

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Special points of interest:

- *Hospice may be the best thing you ever did for your loved one as he/she come near the end of life.*
- *It is easy, fast, and cost-effective to shop for term life insurance online.*
- *The outlook for world economic growth is good, in spite of what appears to be never ending bad news.*

WORLD ECONOMIC GROWTH

Just when you thought the economy was a bit soft and pretty battered with the uncertainty of oil prices, world terrorism, and United States presidential elections, comes an encouraging word from the International Monetary Fund (IMF).

The IMF just released a statement stating that the global (world) economy should register its strongest growth in 30 years in 2004. This year's global economic growth is expected to hit 5%, the strongest since 1973. This will be achieved in spite of oil prices hitting \$50 per barrel.

An important key to understanding these numbers is to realize that oil prices are still about \$30 a barrel below the level reached in 1981 after the Iranian revolution—ADJUSTED FOR INFLATION! That makes a big difference.

The IMF says that global growth has been helped by factors including rising corporate profitability, improved stock markets, strong housing markets and gains in employment. Most of these strengths are also present in the U.S. economy.

While sharply rising oil prices are still a concern, they

do not appear, at this time, to threaten the health of the world's economy. The IMF's chief economist, Raghuram Rajan, said of the late spring economic slowdown "This is a soft patch, not a sink hole".

The IMF is predicting that the economic growth in the United States in 2005 will be slower than the growth in 2004. They are predicting a growth rate of 3.5% for 2005 compared to an expected 4.3% rate in 2004. While the growth may actually be a bit less, the good news is that it is still a healthy economic climate.

For long term investors, the good news in all this is that the climate is strong in spite of some troubled areas. Again, prudent investment and careful review is critical.



SHOPPING FOR LIFE INSURANCE ONLINE

One of the benefits of today's technology is the ability to shop for term life insurance via the Internet. It is the quickest way to "compare apples to apples".

You can go to a service that will accept your personal information and then return quotes from several different insurance companies for whatever level of insurance you request. It makes shopping quick, easy, and tends to make you feel that you got the most insurance for the most economical price.

Simply type in a search such as "life insurance quote"

and you will come up with many web sites where you can get a quote, some free and others charging a fee.



To begin your search, type www.lifeinsurancewiz.com in the URL address line. The quotes are free and fast.

There are many other sites that offer this service. It gives new meaning to the old saying "Let your fingers do the walking".

EXTEND THE LIFE OF YOUR IRA

Under Internal Revenue Service (IRS) regulations issued in 2002, any individual who holds a traditional Individual Retirement Account (IRA) can change the beneficiary to "stretch" IRA distributions. If you do not need to live on your IRA assets and want to benefit younger generations, consider using the "stretch" IRA strategy.

The law provides that once you reach age 70 1/2, you must withdraw a required amount from your IRA each year. When you choose to withdraw no more than those required distributions from your IRA, and designate a younger beneficiary,

you can extend (or stretch) the life of your IRA.

Most of the planning to "stretch" your IRA distributions over a longer period of time is revocable, so you can change your strategy again at a later date, thus retaining control of your IRA.

Please contact Jo Anderson at (501) 985-4033 or janderson@firstarkansasbank.com for more information.



HOSPICE FOR THOSE IN NEED

Most people know little or nothing of Hospice. If you know anything about it, you are certainly in the minority. It is really one of those "gems" which is undiscovered by most people.

Usually it is unknown because people have not had a need to know of it. But if you have ever had a loved one or aged parent who is certainly approaching the end of life, you may be aware of Hospice.

Hospice is simply a care of those approaching the end of life. It is the mission of Hospice to provide a home-like environment that is comfortable for both the dying and those who will continue to life on. That environment may be in the patient's own home, in a skilled nursing facility, or in a special Hospice center.



The missions of Hospice include honesty, comfort, freedom from pain, help to the family, and, after death, help for the survivors. Modern medical science is committed to preserving life, but Hospice recognizes that death with dignity is also desirable.

One of the organizations in Arkansas providing this service is Arkansas Hospice. You can find more information by going to www.arkansashospice.org. At this site you will find the history and mission of Hospice. Additionally you will learn how it works and how to contact the organization.

Arkansas Hospice needs dedicated volunteers. There are workshops in Russellville on Saturday, October 16th and Saturday October 23d. If you are interested, call Tammy Folmar, Volunteer Coordinator at (888) 498-2050.

CLAIMING YOUR ASSETS

Jim Wood, Auditor of the State of Arkansas has begun "The Great Arkansas Treasure Hunt", trying to locate over 35,000 Arkansans who are entitled to abandoned property.

This property includes abandoned bank accounts, utility deposits, long-forgotten stocks and bonds, uncashed checks and contents of safe deposit boxes.

Probably the most efficient way to claim these lost assets is to go online, search for your name and then download a claim form. To do this go to www.auditorjimwood.org.

If you are not able to access the information on line you can simply e-mail to claimit@auditorjimwood.org. All inquiries must include owner's name as listed, your name, mailing address, phone number and finally, the last four digits of the owner's Social Security number.

You can also call (501) 682-9174 or toll free at (800) 252-4648.

Please allow 90 days for a reply. You must might be a winner! Good luck.

ANNUAL GIFT TAX EXCLUSION

The annual gift tax exclusion amount under Section 2503 remains at \$11,000 for 2004. The amount is scheduled to be indexed for inflation, but will only increase in increments of \$1,000. Therefore, inflationary amounts will accumulate over time, but the exclusion amounts will not be increased until the cumulative amount reaches a multiple of \$1,000

The annual exclusion permitted by Section 2523(i)(2) for transfers to a noncitizen spouse has been increased from \$112,000 in 2003 to \$114,000 in 2004.

The purpose of this portion of the law is to allow you to

gift part of your assets so that it does not become a taxable part of your estate. This allows you to give assets to whomever you choose during your lifetime rather than waiting until after your death.

For many people there is a certain pleasure in seeing first hand family, friends, or charities being able to use their assets now rather than later.





First Arkansas Bank & Trust

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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.

CONTACT US VIA E-MAIL OR TELEPHONE

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