

Handling Your Finances During Volatile Times

The tragic events of September 11 shocked the financial world and created a new level of uncertainty over the future of the markets and our economy. While no one can predict the future of either, many financial experts are indicating that the economy is on solid ground for the long term.

Nevertheless, having a solid financial plan can ease your mind, whatever the future may bring. Here are some ideas to help you be prepared for whatever happens.

- 1. Have some liquid reserves.** A couple of month's salary in a savings account, short-term CD, or money market mutual fund can be comforting.
- 2. Review the asset allocation of your investment portfolio.** How you divide your

investment portfolio among stock, fixed income and cash investment will have a large effect on its performance. Make sure your allocation is in line with your time horizon and risk tolerance.

3. Review your retirement plan options.

Make sure you are participating to the fullest extent you can. Contribution limits have been increased to \$3,000 for IRAs in 2002 and there are new "catch up" provisions for those age 50 and over. If your 401(k) plan has an employer match, be sure you are contributing enough of your wages to get the largest match.

- 4. Plan for the new tax law.** Marginal income tax rates are falling. You may

want to review your tax situation now to take advantage of lower rates in the future. Accelerating itemized deductions or deferring income may reduce this year's tax bill. You should also be cautious of the Alternative Minimum Tax if you are in a higher income bracket or have larger deductions.

- 5. Get expert advice.** An Alaska USA trust and investment professional can help you map a financial strategy that will let you navigate these turbulent financial times. Call today.

Coming Soon....

Online Account Access

Investment Management Services

Alaska USA Trust Company offers Investment Management services that are ideal for those people who don't have the time, expertise or desire to manage their investments.

With the help of an Alaska USA Trust Officer, individuals can:

- determine their needs and a specific financial objective.
- establish an investment strategy and a related investment account and portfolio.

The Trust Officer will then regularly monitor and, if necessary, rebalance the investment portfolio to maintain the desired investment strategy.

For more information on Investment Management Services please call 562-6544 in Anchorage or (888) 628-4567 outside Anchorage.



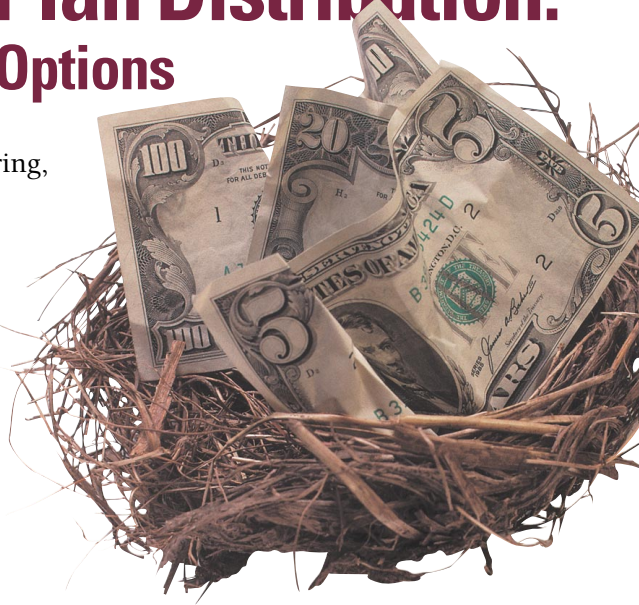
Personal Trust Services

Alaska USA Trust Company's Personal Trust services can help individuals achieve a broad range of unique financial, estate, and tax planning objectives. Basically, trusts are legal entities that hold assets for the benefit of others. The grantor (person with the assets), working with an attorney, transfers ownership of assets (e.g. cash, securities, real estate, etc.) to the trust, and specifies how those assets are to be managed and distributed. The grantor appoints a trustee, such as Alaska USA Trust Company, that is responsible for administration of the trust, investment management, and distributions to beneficiaries.

Personal Trust services offered by Alaska USA Trust Company include serving as the trustee for various types of trusts, as well as providing individuals with general guidance and counseling.

For more information please call 562-6544 in Anchorage or (888) 628-4567 outside Anchorage.

Retirement Plan Distribution: Reviewing Your Options



If you are changing jobs or retiring, you may be receiving a distribution from your employer's retirement plan. If you have been a participant in a plan for a long time and have accumulated a large sum of money, how you handle the distribution can have a very large impact on your family's financial future. Therefore, you should carefully consider your decisions.

Check with your human resources or payroll department to learn what your options are and get professional advice if necessary.

Here are a few things to think about:

Do you want to pay tax on the distribution now or have it remain tax-deferred?

While your funds were within the qualified plan, any earnings were tax-deferred. When you receive the distribution, you have 60 days to roll over your funds to your new employer's plan (if allowed) or into an Individual Retirement Account. If you don't act within 60 days, your distribution will be subject to regular income taxes and an additional 10% early withdrawal penalty tax if you are under the age of 59 ½.

If you don't need the money immediately, it is usually advisable to maintain the tax deferral status.

Do you want to leave your funds with your prior employer's plan, move them to your new employer's plan or transfer them to an IRA?

To maintain tax deferral, the funds must stay in some form of qualified retirement account. Some retirement plans offer the opportunity to leave funds in the plan after employment termination. You may also be eligible to transfer the distribution to a new

employer's plan. The third option is to transfer (roll over) the funds to an IRA. The choice of where to have your money should be based on the amount of investment control you wish. An IRA usually provides the most flexibility.

Even if you are currently unsure of your long-term plans, you may want to have the funds transferred into an IRA. You can always make withdrawals later if you choose.

How do you want the money invested?

Your retirement plan distribution may be the largest single sum of money you will ever receive. The investment of those funds should be handled very carefully. Be sure to consider how these funds fit into your overall financial planning efforts.

Don't feel that you have to make all the investment decisions immediately. As long as the funds are within another qualified plan or IRA, there should be no taxes due and you can make informed and careful investment choices.

IRAs at Alaska USA Trust

Self-directed or managed IRAs are available at Alaska USA Trust and offer a selection of over 125 mutual funds from five leading mutual fund families. Call today for more information, or log onto www.alaskausatrust.com.

2001 Tax Changes Q & A

Here are some frequently asked questions about the new tax law...

Will I save a lot of money?

You probably will not save large amounts of taxes soon, but the long-term effect represents a significant reduction. See the following chart:

MARGINAL TAX RATES

| 2001 | 2006 |
|-------------|-------------|
| 39.6% | 35% |
| 36.0% | 33% |
| 31.0% | 28% |
| 28% | 25% |
| 15% | 15% |
| None | 10% |

Are there any changes in how capital gains are taxed?

No. Capital gains still get taxed at preferential rates, with the top rate of 20%.

Are there any changes that affect my retirement planning?

Yes and the news is all good. The new law increases the contribution limits for IRAs and most corporate retirement plans (like 401(k) plans) beginning with contributions made for 2002. The IRA limit goes up to \$3,000 per year. There are also provisions that allow those over the age of 49 to make up "catch-up" contributions if they have not fully taken advantage of their plan in the past.

What, if anything, should I be doing?

With marginal tax rates coming down gradually, you may be able to reduce your taxes by trying to "move" taxable income into later years. Consider accelerating your itemized deductions or delaying some of your income if you can.

Review the new retirement planning provisions. They can help make saving for a financially secure retirement much easier.

Get help if you need it. The rules are getting more complex and confusing. The advice and assistance of a qualified tax professional can help you better understand the new rules and how they may be applied to your advantage.