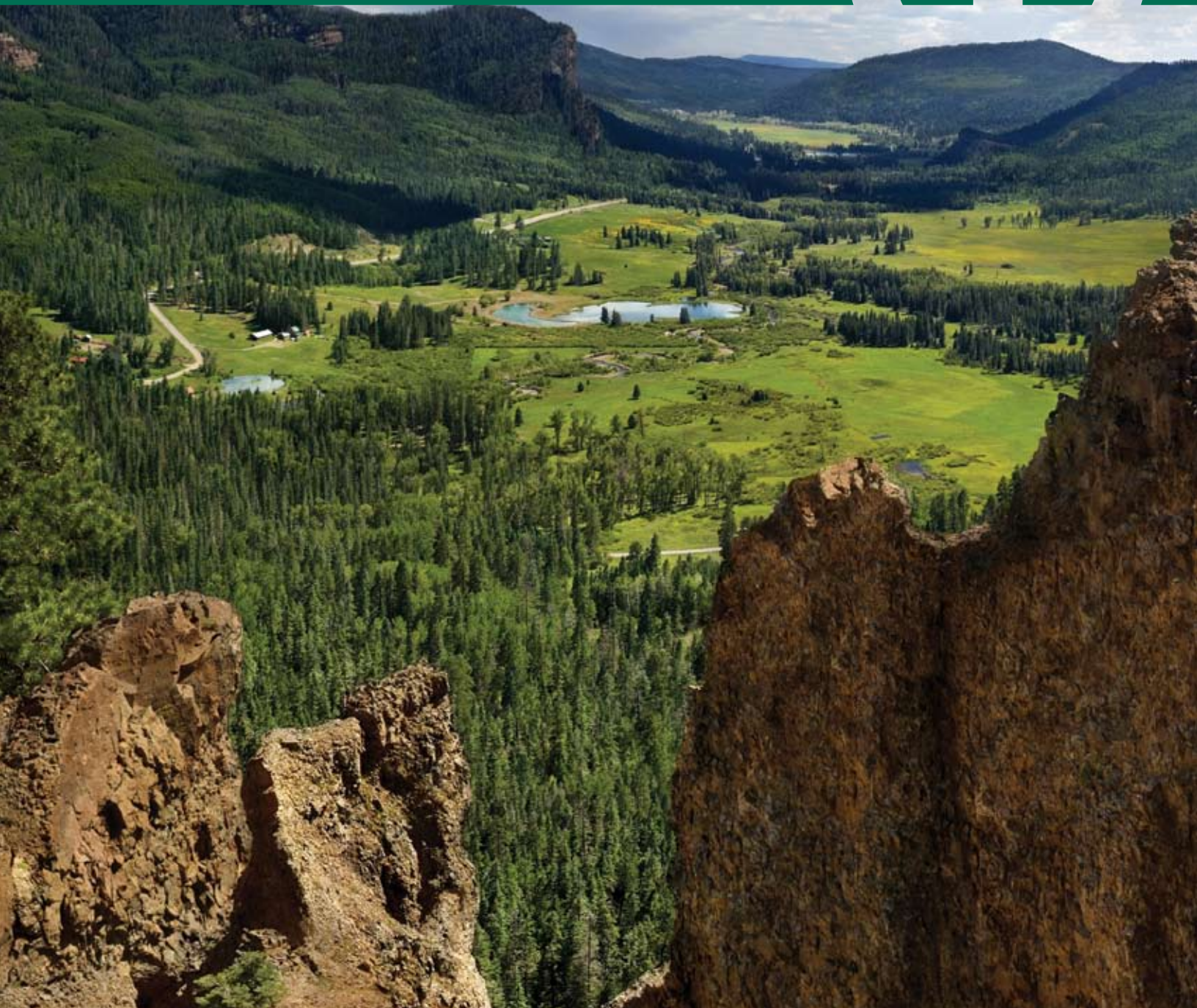


FINANCIAL FOCUS



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More and more businesses and consumers are making earth-friendly changes. From carpooling to using reusable shopping bags to recycling electronics, it's becoming even easier to make positive choices. We are pleased to offer you some easy options to help reduce your paper and energy usage.

The Financial Focus newsletter is currently mailed to you on a bi-monthly basis. We would like to start sending the newsletter to you in an email format. If you'd like to opt in, please let us know. Just send a short message to FNB-InvestmentManagement&Trust@1stnationalbank.com indicating that you would like to receive the e-newsletter version of Financial Focus. You can expect to receive your first issue at the beginning of September.

On Earth Day this year, First National Bank rolled out the Green Checking account that includes these great features:

Free Identity Theft Recovery Services – If you're a victim, we can help.

Free eStatements – Save paper and reduce the occurrence of identity theft through the mail.

Free Online Banking & BillPay – Bank from home, reduce trips to the bank and, most importantly, have the ability to closely monitor your account on a daily basis.

Free Visa® Debit Card – Save time, paper & processing with the card that is good anywhere Visa® is accepted. Funds are directly debited from your checking account and you automatically earn rewards for your debit card purchases.

Direct Deposit – The fastest and safest way to deposit funds into your account.

Unlimited Foreign ATMs – We'll waive the fee we charge on any ATM you use whether it's our ATM or not.

Eco-Friendly Canvas Bag – Take "green" one step further with our spacious and sturdy canvas bag. It's yours for free when you switch to Green Checking.

If you'd like to learn more about the new Green Checking account option, please stop by your neighborhood First National Bank branch or call 800.883.8773.

Colorado continues to get recognition for the opportunities developing in the green industry field and First National Bank will continue to make efforts to "go green".

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Lessons from 2008: Risk, Reward, and U.S. Treasury Bonds

By John J. Harris, CFA

Senior Portfolio Manager • jharris@1stnationalbank.com



The year of 2008 includes many lessons. Lenders and borrowers learned that home prices both rise and fall. Economists learned that credit accelerates consumption and economic growth, and that debt repayment and default slow economic growth¹. Lastly, investors were reminded that no investment is without risk and that the competing concepts of risk and

reward are inextricably linked to each other.

The lesson regarding the link between risk and reward is both important and relevant. The severe penalty for investors who fail to master the lesson makes it important, while the condition of the U.S. Treasury bond market makes it relevant.

Unfortunately, the recent reminders of the link between risk and reward are numerous and the penalties are severe. One example is the creation of high quality fixed income securities whose coupon and principal payments are funded by lower-quality, more speculative cash flows². This combination is an oxymoron. Ceteris paribus, a low-quality, speculative stream of cash flows cannot be converted and re-packaged into a high quality, low risk security. Another even more unfortunate example is the tsunami of wealth investors funneled to money manager Bernard Madoff as a result of his fantastic ability to generate positive, market besting returns with unearthly consistency, despite a myriad of economic and stock market environments. In this case, Madoff's results proved more fantasy than fantastic. The greatest fraud in modern investment history reduced the tsunami of investor wealth to a puddle.

Another recent reminder of the link between risk and reward is the current condition of the U.S. Treasury bond market. The fear caused by the virtual halt of the economy in the 4th quarter of 2008 incited panic selling of risky securities like stocks and non-U.S. Treasury bonds. The flight from these securities, however, produced an opposite and equal reaction: panic purchasing of U.S. Treasury bonds. The panic purchasing pushed U.S. Treasury bond prices to heights and yields to depths scarcely witnessed previously. No investment, including U.S. Treasury bonds, is without risk. Given the Treasury's ability to print the money to fund U.S. Treasury bond investors' coupon and principal payments, the risk of default is minimal. The risk that inflation erodes U.S. Treasury bond investors' returns and purchasing power, however, is real and rising.

Investors' misguided attempts to separate risk from reward have proven as fruitful as the search for the fountain of youth, the design of the perpetual motion machine, and the application of alchemy to the creation of gold. Instead of attempting to separate risk from reward, investors should jointly accept them and acknowledge the existence of risk in all investments.

With this in mind, investors should ask themselves the following questions: 1) Is the risk prudent? and 2) Is the reward sufficient compensation for the risk? Investors should favor investments where the risks are prudent and the rewards are commensurate. With regard to U.S. Treasury bonds, it is becoming increasingly difficult for investors to answer these two questions affirmatively.

1. Paradoxically, savings has the same slowing effect on consumption and economic growth as debt repayment and default.
2. The author is describing CDOs: Collateralized Debt Obligations. A meaningful portion of the most recently created CDO securities ultimately depend on the mortgage payments from homeowners with a high risk of default to fund the CDO investors' coupon and principal payments.

This publication does not constitute legal, accounting or other professional advice. Although it is intended to be accurate, neither the publisher nor any other party assumes liability for loss or damage due to reliance on this material. The general information in this publication is not intended to be nor should it be treated as tax, legal, or accounting advice.



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Women Investors: Are Women Better Investors Than Men?

Perhaps one of the most common stereotypes is that women tend to leave family finances to men, while they manage the serious tasks of raising children and keeping the household functioning.

If this were true, should we then expect that men would be better investors—in other words, is there a greater chance that they will achieve success with their investments than women? Or, for some reason, might the opposite be true?

Confidence and Gender

One often-cited study about gender differences and investing comes from research conducted in 2001 by two professors from the University of California at Davis, Terrance Odean and Brad M. Barber. The study examined the trading habits of male and female investors, and the effects that those habits had on investment performance.

Odean, speaking at a Morningstar Research, Inc., conference in 2008, reiterated his findings that men tend to be sure of their ability to make good investment decisions, while women are far more cautious. A tendency toward overconfidence can lead to excessive trading, borne out by the Odean-Barber research: Their data indicated that men traded 45% more actively than women, and single men traded 67% more actively than single women.

The investment performance favored the women. “Overactive” trading reduced the men’s net returns by 2.65 percentage points a year, compared with 1.72 percentage points for women. The reduced return came from the increased expense of extra trades, plus the fact that newly purchased securities did not outperform those that were sold.

An Explanation

What might account for the finding that women lack self-confidence and fear taking risks when it comes to investing?

There is some evidence that younger women are more comfortable managing their own finances today, according to Tahira K. Hira, author of *The Handbook of Consumer Finance Research*. In the past, the division of labor really did follow what, today, we consider stereotypical.

Hira’s research found that women chose to focus on day-to-day tasks. Whether they had the skills or not, the demanding and time-consuming assignment of planning for their family’s financial future was an aspect of their lives that they left in the hands of their spouses.

The result, says Hira, is a catch-22: “Many women have low confidence because they haven’t done a lot of planning or

investing. And because they find it difficult and stressful, or they aren’t expected to deal with it, they don’t get the experience that would boost their confidence.”

Unique Challenges for Women

There are some indisputable facts about the role gender plays in a woman’s financial life. For one, they live longer than men. Figures recently released from the National Center for Health Statistics put the average life expectancy of a woman at 80.7 years and a man at 75.4 years.

Women who have chosen to be out of the work force for several years, or who work part-time in order to raise a family, might earn less, and they might be less likely to be covered by a company retirement plan. Or, if they are covered, might receive a smaller pension or payout. Some women may find that they lack funds sufficient to provide income that will see them through what may be a long life, including, perhaps, some years living on their own.

What We Can Do

The major studies on gender differences examine behavior and investment results from people who make their investment decisions based upon their own knowledge and experience.

What’s missing from the equation is what a professional might accomplish for investors of both genders. The challenges that women face call for an investment strategy that will provide long-term security. Even men who feel confident about their investing abilities can learn about new opportunities and alternatives to their current strategies.

That’s why we believe that we can provide valuable services for both men and women. We recommend that you make an appointment to discuss how we can assist you with your investment management needs.

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Q&A: What Women Need to Know about Estate Planning

Because they live longer than men, women are more likely during their lives to have the experience of being an estate beneficiary. They also need estate plans of their own.

Who Needs to Have an Estate Plan?

Everyone who owns property needs to make arrangements for its disposition. Those who fail to take action have delegated their choices to the government, because the law of intestacy will take over for them.

How is Property Passed at Death?

Property distribution is supervised by a probate court, which is charged with implementing the plan outlined in a decedent's last will and testament. However, property also passes outside the control of the probate court. The example most people think of is life insurance proceeds, as they typically are paid to the named beneficiary. Retirement accounts, such as IRAs and 401(k)s, also normally will have a survivor named to receive the balance left when an account owner dies. Finally, property that is owned jointly will pass automatically to the surviving owner.

Do Married Couples Need to Worry about Death Taxes?

Many couples do need to plan for death taxes, although some very basic planning will excuse the vast majority of estates from taxation. In 2009, only estates larger than \$3.5 million are hit by the federal estate tax. The law for 2010 and later years is unsettled as of this writing, but the leading proposal is to freeze that exemption for future years.

For larger estates, everything that passes to a surviving spouse gets the benefit of an unlimited marital deduction from the federal estate tax. (The main exception occurs when the surviving spouse is not a U.S. citizen, in which case the marital deduction is unlimited only for property passing to a Qualified Domestic Trust.) Thus, estate tax can be avoided completely when there is a surviving spouse, no matter how large the estate.

However, the couple probably should give consideration to death taxes when the survivor dies. The exempt amount of \$3.5 million may be doubled to \$7.0 million for a married couple with some very basic trust planning.

Is a Trust Needed to Get the Marital Deduction?

No, the marital deduction is allowed for property that a spouse receives outright, as well as for a marital deduction trust.

Why Have a Trust?

Trusts offer a wide range of benefits, from professional asset management to financial protection in the event of incapacity. To be qualified for the marital deduction, a trust must pay all of its income to the surviving spouse at least annually. In many cases, the surviving spouse also may control the ultimate disposition of trust assets through provisions in his or her will.

What is a QTIP trust?

A Qualified Terminable Interest Property (QTIP) trust is a type of marital trust in which the survivor does not control final

Continued on page 6...

Meet Rhonda Morehead



Rhonda L. Morehead, JD, CTFA

Assistant Vice President, Senior Trust Officer

Rhonda joined Investment Management & Trust in 2001 and is responsible for the administration of trusts, estates, individual retirement accounts and investment management accounts. Rhonda earned her Bachelor of Arts degree from Colorado State University and her law degree from the University of Denver Sturm College of Law. Rhonda is an honor graduate of the Cannon Financial Institute and earned the designation of Certified Trust and Financial Advisor in 2004. Rhonda is on the Board of Directors for the Community Foundation Serving Greeley and Weld County. She is also a Past President of the Greeley Rotary Club, and a member of the American Bar Association, Colorado Bar Association and Weld County Bar Association.

Questions?

Rhonda can be reached at 970.346.1502 or rmorehead@1stnationalbank.com.

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Investment Management & Trust Seminars

July / August 2009

Essentials of a Will

1:00 p.m. – 3:00 p.m., Friday, July 24, 2009

The Theater at MacKenzie Place

4750 Pleasant Oak Drive, Fort Collins

If you don't have a will, or you are thinking about revising your current one, this seminar will include information that will be helpful to you. Fran Kimes, Assistant Vice President, Senior Trust Administrator at First National Bank Investment Management & Trust will cover what to discuss with your attorney; how to choose your personal representative (executor) and trustee based on the responsibilities of each job; how to distribute household and personal items; when to change beneficiaries; what happens if you become disabled by accident or age; where to store your important documents, and much more. There is no charge for this seminar, but reservations are requested. Seating is limited. Please RSVP to Jo Nell Lynd at 970.495.1293 or email jlynd@1stnationalbank.com by Friday, July 17th.

My Bucket List

3:00 p.m. – 4:30 p.m., Tuesday, August 18, 2009

Mark's Funeral & Cremation Services

9293 Eastman Park Drive, Windsor

In the film, *The Bucket List*, Jack Nicholson and Morgan Freeman, two unlikely hospital roommates who both receive a 6 month terminal diagnosis, join together to create a "bucket list." Get ready to fantasize, laugh and celebrate because Larry Kilpatrick, Hospice Coordinator for Mountain Valley Health Care will help you create a list of things you'd like to accomplish before you kick the proverbial bucket. You will build an itinerary to embark on an adventure of a lifetime to fulfill your dreams. And, because you've asked for the information, Mike Evans, owner of The Evans Agency will provide some informational items that we rarely discuss... what to do when someone passes and what it means when your decision is to be buried or cremated. Mark Long invites you to tour his beautifully remodeled funeral home (demolished from the tornado) after the seminar. No charge, but reservations are requested. Please RSVP to Jo Nell Lynd at 970.495.1293 or email jlynd@1stnationalbank.com by Monday, August 10th.

Meet the Experts (Attorney, CPA & Financial Advisors)

10:00 a.m. – 11:30 a.m., Wednesday, August 19, 2009

Café Columbine & Bakery

802 West Drake Road, Fort Collins

Each of us needs to work with an estate attorney or financial advisor during our lifetime, but fear that we will be intimidated or the cost will be prohibitive. Our panel of experts will share their recommendations and answer your financial questions. Being more prepared can save you time, money and give you the peace of mind knowing you have provided for your loved ones. No charge, but reservations are requested. Please register by contacting the Aspen Club at 970.495.7500 or mbs@pvhs.org. Co-sponsors for the seminar are First National Bank Investment Management & Trust, the Aspen Club and Poudre Valley Hospital and Medical Center of the Rockies Foundations.

Women's Series

Be sure to mark your calendars for the remaining Financial Fitness for Women seminars (more information will follow as we get closer to the dates):

Financial Fitness for Women: Retire Well in Uncertain Times

2:00 p.m. - 4:00 p.m., Tuesday, September 22, 2009

Jay's Bistro and Jazz Lounge

137 West Oak Street, Fort Collins

Presenter: Lisa Whannel, QKA

Vice President, Retirement Plan Services Manager

First National Bank Investment Management & Trust

Financial Fitness for Women: Planning for Your Future

2:00 p.m. - 4:00 p.m., Thursday, November 5, 2009

The Stonehouse Grille

125 South College, Fort Collins

Presenter: Kathleen Thompson, CFP®

Account Executive

First National Bank Investment Management & Trust

For questions or general information about the Women's Series, please contact:

Louise Kuntzelman

Assistant Vice President, Marketing Manager, Investment Management & Trust

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... continued from page 4. **Q&A: What Women Need to Know about Estate Planning**

distribution of trust assets. In a second marriage situation, for example, a husband may want to provide for his second wife for her life, but the remainder interest in the trust should go to the children of his first marriage at her death. A marital deduction is available for a QTIP trust on an elective basis.

Who Should Settle my Estate?

We encourage you to consider employing a corporate fiduciary, such as us, for settling your estate. We are well-versed in all the procedures and requirements, and we are fully staffed to manage the process. What's more, our compensation is no greater than that to which an amateur executor is entitled. To learn more about our capabilities in this area, please arrange to meet with one of our officers at your convenience.

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970.203.2630

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The Financial Focus newsletter is sent to you on a bi-monthly basis. We hope that you find the information helpful as you make financial decisions. However, should you decide that you'd rather not receive the newsletter, please contact Andrea Hammons at 970.419.5721 or via email at ahammons@1stnationalbank.com.

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