BANKING BASICS

RED RIVER BANK

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Red River Bank

Whether you're new to the world of personal finance or looking for new ways to manage your money more effectively, Red River Bank is here to help you.

Making good financial decisions is one of the smartest ways to make sure that your hard-earned money works hard for you. In the following pages we'll show you how to choose the type of checking account that's best for you, how to create a budget and stick to it, how to save money for the things you might want or need in the future (including your golden retirement years) and how to use credit wisely. Finally, we'll explain what steps you can take to safeguard yourself from becoming a victim of identity theft.

At Red River Bank we're committed to helping you reach your financial goals. If you have any questions about the information in this booklet, don't hesitate to stop in or call one of our banking centers or visit our website at www.redriverbank.net.

Best wishes for a prosperous financial future.

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EVERYTHING YOU NEED TO KNOW ABOUT CHECKING ACCOUNTS

Opening a checking account – and learning how to manage it – is an important step in taking control of your personal finances. Used correctly, your checking account can help you keep track of your spending and provide you with a valuable record (especially at tax time).

Red River Bank offers several types of checking accounts. Some charge a monthly service fee and earn interest on your balance, while others do not.

Besides the basics, checking accounts often offer additional services such as:

- **Direct deposit** – any regular payments such as paychecks or Social Security checks are automatically deposited to your account.
- **Bill payment** – you authorize the bank to make automatic payments from your account for bills that occur on a monthly basis.
- **Online checking –** gives you access to your account via your computer. You can view balances and history, transfer funds between accounts, pay bills, re-order checks and perform several other tasks.
- **Check Card** – allows you to "write" an electronic check for purchases worldwide at more than 14 million merchant locations accepting MasterCard. It's actually two cards in one (an ATM card and a Check Card).
- **Personal Touch 24** – is Red River Bank's 24-hour telephone banking service. From any touch-tone telephone, you can access account information and make transfers between your checking and savings accounts. The phone number is 318-561-BANK (2265)-Central LA, and 318-675-2999-Shreveport.

If you'd like more details on our checking accounts, ask any of our personal bankers or go online at www.redriverbank.net.

Getting Started

Once you've chosen the type of checking account that's best for you, the bank will ask you to sign a **signature card**. The signature card works like a contract between you and the bank. By signing it you're agreeing to follow the bank's policies regarding checking accounts. You're also giving the bank permission to pay money out of your account for the checks that you write.

Next, your personal banker will order your personalized checks – the bank will provide you with a few non-personalized checks to get you started but you'll need others with your personal information printed on them.

Your order will be mailed to you and will include your checks, deposit slips for making deposits to your account and a checkbook register to record the checks written, ATM withdrawals, and deposits.

If you've never opened a checking account before, you may need some guidance on how to write a check, fill out a deposit slip or how to balance your account. Just stop by any of our Red River Bank banking centers and one of our personal bankers will be happy to assist you.

A Few Tips On Using Your Checking Account

Even if you're a pro at using a checking account, you may find it helpful to review the following tips:

1. Be careful with any endorsed checks. An endorsed check is just like cash and anyone who finds it can cash it.

2. Keep your blank checks in a safe place – treat them like cash. Record all checks, deposits, ATM (automated teller machine) and debit card transactions in your checkbook register right away. List each check with its number and date and the payee (who you wrote the check to) and enter the amount of the check. Also enter the dates and amounts of ATM withdrawals and any debit card purchases you make. Subtract the amount of each check, ATM withdrawal and debit card purchase and add the amount of each deposit.

3. Balance your checkbook each month when you receive your statement. "Balancing" your account is a process of ensuring that your records and calculations agree with those of the bank. Here's how to do it:

   a) Make sure that all your checks have been cashed for the correct amount.

   b) Put a checkmark next to the checks in your register that have been cashed or "cleared."

c) On the back of your statement, use the worksheet and write your ending balance.

d) Add up any deposits that are in your register but aren't on the statement. Do the same for any checks, debit card purchases or ATM withdrawals recorded in your register but not on your statement.

e) Add the total deposits to the ending balance on the statement, then subtract the total withdrawals. The resulting total should match the balance on your register. If it does not, you will need to look for the error.

4. Protect your bank statements because they provide images of the checks you have written. Your statements act as records of your banking transactions and can be especially helpful at tax time.

5. Notify your bank at once if you change your address or your name.

6. Contact your personal banker to stop payment on checks that appear to be lost or stolen.

Managing your checking account takes a little effort and some basic recordkeeping. Once you've mastered it, you'll be well on your way to taking control of your personal finances.

EVERYTHING YOU NEED TO KNOW ABOUT BUDGETING

Now you're ready to take the next step toward reaching your financial goals – learning how to make a budget and how to stick to it. All it takes is a plan and some self-discipline.

Why is budgeting so important?

Are you dreaming of purchasing that sports car you've always longed for? Or treating your family to a summer vacation at DisneyWorld? Or maybe you're looking far into the future and hoping to be able to travel to exotic destinations when you retire?

Many of us have goals like these but we may not have a plan to help us achieve them. Learning to make a budget is an important step in helping us get the things we want or need now and in the future.

Budgeting helps us identify the amount we spend each month, our expenses and spending habits. It also helps us prepare for major or unexpected expenses such as healthcare bills. And, once we're ready to begin investing for our retirement, it gives us a blueprint for reaching our goals.

There are three types of expenses: "fixed" (which occur regularly and require the same payment each month); "flexible" (which occur regularly but the payment amount differs each month); and "discretionary" (expenses you choose to make).

Getting Started

The first thing you need to do when making a budget is to determine the amount of money you have to work with. How much income do you currently have and how much are your expenses?

To make this task easier, it might be helpful to make a budget worksheet.

1. Begin by listing **all** of your current sources of income (be sure to include as much information as you can). Don't forget to subtract taxes and other deductions.

2. Next, list your current expenses. Don't leave anything out no matter how small it may seem. Some expenses (like utility bills) will change throughout the year, so use a monthly average. Some typical expense categories are housing, utilities, food, personal care, transportation, health, loan payments, credit card payments, and recreation and miscellaneous – (charity, education, gifts, pets, etc.). Including all of your expenses is very important in helping you understand where you currently spend your money.

3. Divide your annual income (minus taxes and deductions) and the expenses by 12 to get a monthly figure (most people find it easier to manage money by the month than by the year).

4. Finally, subtract your total monthly expenses from your total monthly income. Are they equal, less or more?

(See page 6 for an example of a budget worksheet).

Basic Budget Worksheet

Total Monthly Net "Spendable Income" . . . . ______________

Housing Expenses

Rent or Mortgage. . . . . ______________
Utilities (Cable, Water, Electricity, Gas) . . . . ______________
Telephone . . . . ______________
Insurance . . . . ______________
Repairs . . . . ______________
Taxes . . . . ______________

Car Expenses

Loan Payment (s) . . . . ______________
Fuel . . . . ______________
Insurance . . . . ______________
Maintenance & Repairs . . . . ______________

Debts

Creditor #1 . . . . ______________
Creditor #2 . . . . ______________
Creditor #3 . . . . ______________
Creditor #4 . . . . ______________
(Figure more if needed)

Miscellaneous

Charity . . . . ______________
Groceries . . . . ______________
Dining/Entertainment . . . . ______________
Childcare . . . . ______________
School Tuition/Supplies . . . . ______________
Medical Bills/Copays . . . . ______________
Prescriptions . . . . ______________
Pet Supplies & Exams . . . . ______________
Cell Phones . . . . ______________
Subscriptions . . . . ______________
Clothing . . . . ______________
Personal Care . . . . ______________
Cash . . . . ______________
Other . . . . ______________

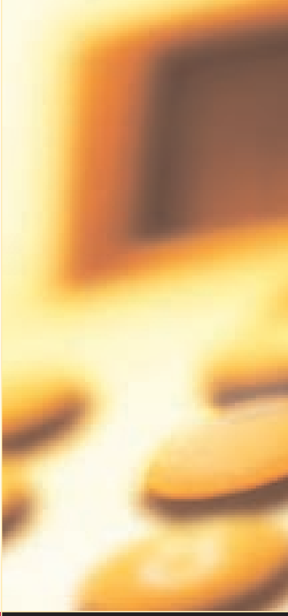
Monthly Expense Totals

Housing . . . . ___________
Car . . . . ___________
Debts . . . . ___________
Miscellaneous . . . . ___________
TOTAL MONTHLY EXPENSES . . . . ___________

Monthly Net "Spendable Income" . . . . ___________

(Minus) Monthly Expenses . . . . ___________

TOTAL SURPLUS OR SHORTAGE . . . . ___________



The Moment of Truth

If your monthly expenses and income are **equal**, you may be living paycheck to paycheck. But what about sudden and unexpected expenses or needs?

Are your expenses **less** than your income? That's great! If you don't already have a savings plan, you should consider beginning one now so that your money can work for you.

Are the amounts **equal**, but only because you use **credit**? Are you making ends meet because you're regularly using credit for what you need and want? If that's the case, you may want to look at how you use credit and learn to borrow only what you need and what you can afford to repay.

Are your expenses **more** than your income? If so, you'll need to cut your expenses. Red River Bank's personal bankers can help you identify ways to consolidate your debts or change your payment obligations to better match your income.

Making Decisions

After completing a budget worksheet, you'll be able to see how and where you're currently spending your money. You can then use this information to help you make some decisions. Is there a way you can increase your income, at least temporarily? Can you decrease your expenses by **cutting out** some and **cutting back** others? As you make these important decisions, keep in mind that it's usually easier to cut back on expenses than to increase income.

Now, go back and make a revised budget that will bring your personal finances into balance. After you've completed your revised budget and your expenses are less than your income, it's time to consider beginning a regular savings and investing program.

The Keys to Successful Budgeting

1. **Keep your expenses within your income.**
2. **Use only levels of debt that you can afford to pay back.**
3. **Start a regular program of saving and investing for your future.**
4. **Be disciplined but flexible with your choices!**
5. **Remember: A successful budget takes planning!**
6. **Use debt cautiously - especially credit card debt.**
7. **Save and pay cash for vacations, consumer items, and other discretionary items.**

EVERYTHING YOU NEED TO KNOW ABOUT
SAVINGS ACCOUNTS

Saving Money: The Best Way to Get Ahead!

Like checking accounts, there are several different types of savings accounts. But before we take a look at the features of each one, you'll need to understand several key terms.

- ***Principal* –** The money you put into a savings account.
- ***Interest* –** The money the bank pays you (on your principal) while you keep the money in your account.
- ***Compound interest* –** The money the bank pays you on your principal – and on previously earned interest.

Your money (principal) plus interest plus time can work together to increase your savings. The longer you can save, the more your savings will grow. That's why it's important to get started right away.

How much should I save?

Before you answer the question "how much should I save?" you'll need to ask yourself "what am I saving for?"

There are many reasons to save, ranging from a new wardrobe, a down payment on a house, to a college education or a comfortable retirement. How much you need to save is determined by how much you already have, how much what you want will cost and how long you're willing to save. And, don't forget to estimate how much you'll earn on your savings.

Here are a few rules and guidelines on how much to save.

The general rule of thumb is to have at least two months' income in savings to cover your household expenses or any unexpected emergencies. Another rule suggests that you save 10 percent of your income for emergencies and retirement. It might help to save if you think about your savings account as a safety net that's ready to catch you in case you encounter unexpected financial hardships such as the loss of your job.

Another way to look at savings is to follow the "pay yourself first" rule. This means that when you're making out your budget, take a certain percentage of your paycheck and put it in your savings account *before* you decide how much you need to pay your bills. That way, when it comes to the end of the month, you won't find there's nothing left to save. And, more importantly, you'll be growing richer each month!

How much should I save for my retirement?

Many of us look forward to retiring from our jobs and having more time to relax, pursue our hobbies and spend time with our families. Preparing for retirement - like most things in life - takes some work.

The earlier we begin saving for our retirement the better, since the longer interest accumulates on a sum of money the larger it will become. Generally it's easier if we make saving for retirement a part of our monthly budgeting.

The first step is to decide when you want to retire. This will help you know how long you'll need to save and roughly how much you'll need to put aside each month. Next, estimate your retirement expenses. Although it's impossible to be accurate, you should be able to come up with a ballpark figure by examining your current expenses (seeing which ones you might be able to eliminate or lower) and which ones you might increase (such as what you spend on entertainment). Don't forget to adjust these expenses for inflation – failing to do so could leave you short of funds. Once you know when you'll retire and how much money you'll need, then you can calculate how much you need to save between now and then.

There are some good (and free) internet-based retirement calculators that can help you decide how much you should save each month for your retirement. Ask your personal banker for more information or visit www.redriverbank.net.

General Types of Savings Accounts

Bank accounts are protected up to $250,000 until 2013 by the Federal Deposit Insurance Corporation (FDIC).

Savings accounts offer different levels of safety, liquidity and rate of return (interest), depending on the types of accounts you choose. You can make the best choices on which types of savings accounts may be right for you and your money when you understand these terms.

Safety means knowing that you'll always get back at least what you put into the account, no matter what happens. **Liquidity** means you can convert your savings (plus interest earned), into cash without any significant delay. **Return** (also called rate of return or interest rate) is the money you earn on your savings, and is almost always related to the degree of risk associated with a particular account.

Your personal banker can be a helpful advisor when it comes to deciding which type of savings account is best for you.

- ***Basic Savings Account:*** This is a good first choice when you begin saving. While the interest rate you receive may not be as high as other types of savings accounts, your money is easily and quickly available in this type of account.

- ***Money Market Account:*** This is a good choice when you're saving for the short-term, such as for a vacation or to purchase a car. Compared to a basic savings account, it usually requires a higher minimum deposit and minimum balance and may have a higher interest rate. It normally includes check-writing privileges.

- ***Certificate of Deposit (CD)*:** A CD is a good choice if you're saving for a vacation or college education and you won't need the money for a certain period of time. This type of account offers the opportunity to save a specific amount of money for a specific amount of time, such as six months, one year, five years or ten years. Because you agree to pay a penalty fee charged by the bank if you decide to withdraw your money before the end of the specified time period, interest rates will normally be higher than for a basic savings or money market account.

For long-term goals, such as saving for a home or retirement, you may also want to consider investments which offer higher rates of return. Some common investments are bonds, mutual funds, real estate, and stocks. When considering these types of investments, it's important to remember that savings accounts with banks are protected up to $250,000 until 2013 by the Federal Deposit Insurance Corporation (FDIC) while bonds, mutual funds, real estate, and stocks are **not** FDIC insured, even when purchased at a bank. For more information on investments, call our investment specialists at 318-561-4094.

Whether you have short-term or long-term goals, or what types of accounts you choose, it's important to make plans and save regularly. Your Red River Bank personal banker can help you make choices that are right for you and answer specific questions about the accounts that are available. Once you get started on a regular savings plan, you'll be able to watch your money grow and your dreams come true!

GETTING SMART ABOUT CREDIT

Together with budgeting and savings, credit is a tool that can help you reach your goals. Because it offers an opportunity to buy now and pay over time, it's sometimes tempting to borrow or charge more than you can afford to repay. The following information will help you choose the right type of credit that best meets your needs, and help you to manage your debts and keep your commitments.

A lender (a banker or anyone considering making you a loan) will charge interest that must be paid in addition to any money (principal) you may borrow. Interest rates, terms, and conditions will vary and depend on many factors.

Personal bankers are sometimes asked, "Given my income, what is a 'reasonable' house note and what is a 'reasonable' debt loan?" A simple answer is that your debt payments should not exceed 40% percent of your total gross income.

When you apply for credit, a lender typically will require evidence about your character (including confirmation of your employment and proof that you regularly pay your rent or mortgage payments), collateral (something of value that you own that can back up the amount you are borrowing), capacity (proof that you can repay the amount of the original loan), and credit (the amount of credit you already have outstanding and your history of timely payments).

There are two types of credit: secured credit and unsecured credit.

- **Secured credit** is protected and backed by the value of your property (collateral). This means that if you fail to repay a secured loan, the lender has the right to possess and sell the collateral to recover what is owed. Because the lender is protected, this type of loan usually carries a lower interest rate than unsecured credit. Some examples of secured loans are automobile loans, mortgage loans, home equity loans and secured credit cards.

- **Unsecured credit** is **not** backed by collateral. Because the risk to the lender is higher, the interest rate is usually higher than the rate for a secured loan. The most common type of unsecured credit is a credit card.

Credit Scores

A credit score (sometimes called a credit rating or a FICO score) is a number based on information in your credit file that predicts how likely you are to pay a loan back on time. The higher your score, the less risk there is that you might default on a loan.

There are three major credit bureaus (Experian, Equifax and TransUnion) which write up your credit report based on information they receive about you from companies that have given them your credit history, the types of credit you have, and the amounts you owe.

Your credit score – a number from 300 to a perfect 850 – is a quick way for lenders to assess how likely you are to make your credit payments on time. You're more likely to get their best available rates the higher your score.

What is a good score? According to the Credit Finance Association (CFA), in the eyes of most lenders credit scores above 700 are very good and a sign of good financial health. Scores below 600 indicate high risk and could lead lenders to charge you much higher rates or turn down your credit application. According to the most current data available, the Experian National Score Index (the average credit score in the United States) is 677.

How can I improve my credit score?

You can improve your credit scores over time if you manage your credit responsibly. The CFA makes the following suggestions for improving your credit scores:

- Pay your bills on time. Delinquent payments and collections can really hurt your score.
- Keep balances low on credit cards. High debt levels can hurt your score.
- Pay off debt rather than moving it between credit cards. The most effective way to improve your score in this area is to pay down your revolving credit.
- Apply for and open new credit accounts only when you need them.
- Check your credit report regularly for accuracy and contact the creditor and credit-reporting agency to correct any errors.
- If you have missed payments, get current, and stay current. The longer you pay your bills on time, the better your score.

Your Credit Report

If you have any type of credit (even if you always make your payments on time), it's a good idea to check your credit report once a year to make sure the information is accurate.

The three major credit reporting agencies are **Equifax: (800-685-1111) Experian: (800-311-4769) and TransUnion: (800-916-8800).** Each agency's report may look different but they all contain the same information. For a small fee, you may obtain a copy of your credit report at any time – or, you may request a free credit report once a year from www.annualcreditreport.com.

If you find errors in any of the reports, notify the credit agency in writing, including evidence to support your claim. The credit agency then has 30 days (a general rule) to correct its report if, the information you provide is confirmed. If you have any problems, talk with your Red River Bank personal banker who can help you resolve any discrepancies in your credit history.

A good credit report can open doors for you. A bad credit report can close them. It's that simple and that important.

Credit Cards: The Good, Bad, and the Ugly

Credit cards offer instant loans. They're convenient, useful in emergencies, and can help you build good credit. But they also can be dangerous and lure you into spending more than you can afford with their advertisements of low interest rates and cash-back features.

Many credit card companies charge annual fees and up to 21% on late payments and those that offer zero percent credit charges on balance transfers often don't apply that rate to new purchases. Within a matter of months, you can easily find yourself in financial trouble.

Tips for Using Credit Cards Wisely:

1. **Understand your credit card agreement.**
2. **Learn to manage your spending habits.**
3. **Use your credit card as a cash substitute, not as a high interest loan.**
4. **Try to pay off your total balance each month; paying the minimum balance will barely cover the interest you owe, let alone the principal.**
5. **Errors occur, so check your bill each month to make sure it's accurate.**
6. **If you find yourself in financial trouble, seek professional advice and counseling. Your Red River Bank personal banker can discuss your financial options with you in more detail.**

Keeping your checking account balanced, creating, and sticking to a budget, making regular deposits to your savings account, and managing credit wisely are the building blocks of your financial future. Put them all together and you'll be well on your way to a prosperous financial future!

PROTECTING YOURSELF AGAINST
IDENTITY THEFT

Identity theft is becoming one of the fastest growing crimes in the U.S. The following information will help you understand how it occurs, how to prevent it, and what to do if you become a victim.

Identity theft occurs when someone wrongfully obtains and uses another person's personal data in some way that involves fraud or deception, typically for economic gain. Skilled identity thieves may use a variety of methods to gain access to your personal data such as stealing your mail (including your bank and credit card statements, new checks or tax information), rummaging through your trash or the trash of businesses, or stealing your wallet or credit cards.

Another way identity thieves obtain your personal data is to complete a "change of address form" to divert your mail to another location. Sometimes an identity thief might call you on the phone or send you an email message claiming they're a representative of a legitimate company and that you have a problem with your account.

Once your personal data has been obtained, there's a variety of ways it can be used, all of them having the potential to cause you severe financial difficulties.

What can you do to avoid becoming a victim?

- For starters, don't carry your Social Security card; leave it at home in a safe place. Also, avoid giving out your Social Security number whenever possible.
- Treat your mail and trash carefully. Consider depositing your outgoing mail in post office collection boxes rather than in an unsecured mailbox. Tear or shred your mail before discarding it.
- Review your bank and credit card statements for errors or unusual charges.
- Secure your home computer with firewall and virus protection.
- Choose passwords carefully. Do not use obvious passwords such as family names, birthdates, etc.
- Don't give out personal information on the phone, through the mail or on the internet unless you are sure you know who you're dealing with or you have initiated the call.
- Don't forget to order a copy of your credit report and check it regularly. To order your free annual report from one or all of the national consumer reporting companies, visit www.annualcreditreport.com, or call toll-free 877-322-8228.

Other tips on how to avoid identity theft can be found at www.consumer.gov/idtheft.

Finally, what can you do if you've become a victim?

1. Contact the fraud departments of any one of the three credit bureaus to place a fraud alert.
2. Close accounts immediately that may have been tampered with such as credit cards and bank accounts.
3. File a report with the police department.
4. File a complaint with the FTC (Federal Trade Commission).
5. Keep a record of all the contacts you make while resolving the theft.

Below is a partial list of resources on identity theft that you may find helpful.

Federal Trade Commission: www.consumer.gov/idtheft, 1-877-IDTHEFT

US Department of Justice: www.usdoj.gov

Identity Theft Resource Center: www.idtheftcenter.org

Equifax: www.equifax.com, Report Fraud: 1-800-525-6285

Experian: www.experian.com, Report Fraud: 1-888-397-3742

TransUnion: www.transunion.com, Report Fraud: 1-800-680-7289

Social Security Administration: www.ssa.gov; 1-800-772-1213

FINANCIAL BASICS

In summary, always keep the following tips in mind:

- **Save 10 percent of your income for emergencies & retirement.**
- **Live within your means.**
- **Protect your identity.**
- **Avoid using credit cards for short-term needs.**
- **Develop a personal financial plan.**

BANKING TERMS
YOU MAY NOT KNOW

Assets: Any financial or material possessions that have monetary (current market) value. Examples of assets are cash, your home, vehicles, annuities, household furnishings, retirement plans, etc.

Collateral: A lender may require that a loan be backed up by the value of your personal property, such as your house or your car.

FDIC: The Federal Deposit Insurance Corporation is an independent agency of the United States government that protects you against the loss of your deposits (up to $250,000 until 2013), if an FDIC-insured bank or savings association fails.

Home Equity Loan: Sometimes called a second mortgage, a home equity loan is a way of borrowing money against the equity in your home; (that is, the difference between the value of your home and the amount you owe on your mortgage). Interest rates on home equity loans are usually higher than on first mortgages and the interest can be tax-deductible.

Liabilities: Debts or other financial obligations that you owe to other persons or institutions. Examples of liabilities are mortgages, taxes, unpaid bills, department store, and credit card debts, cash or auto loans, etc.

Mortgage: A loan secured by a home. Typically these are 15-30 year loans and have either fixed or adjustable interest rates. Normally, interest paid on a mortgage is tax-deductible.

Net Worth: The amount left when you subtract everything you owe from everything you own.

Overdraft: An overdraft results when a bank customer writes a check for an amount greater than the funds actually in the account. If you cause an overdraft, you pay a non-sufficient funds (NSF) fee and you may pay an additional penalty charged by the merchant who couldn't collect on the check. This is where the term "bounced check" comes from.

Stop Payment: If you discover that a check you've written has been lost or stolen, you should stop payment so that it cannot be cashed. Call the bank to stop payment on a check. Because of the special processing that such an order requires, most banks charge a fee to stop payment on a check.

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BANKING CENTER LOCATIONS

Alexandria: 1412 Centre Court • 600 Jackson Street
3422 North Blvd • 5631 Coliseum Blvd
Ball: 4425 Monroe Hwy
Bossier City: 2931 E. Texas • 3300 Airline Drive
Forest Hill: 4292 Hwy 112
Lecompte: 1210 Wall Street • 1718 Hwy 71 S *(Drive-thru only)*
Marksville: 447 E. Tunica Drive Pineville: 3120 Hwy 28 East
Shreveport: 601 Market Street • 1753 E. 70th Street • 1020 Bridgewater Ave

Customer Service: 318-561-5800/318-675-2900
Bank by Phone: 318-561-BANK/318-675-2999