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FDIC Rules & Regulations: *Keeping Your Savings Safe at the Bank (Part I)*

By: Frank G. D'Angelo, ESQ

The catastrophic fall of some of America's most prestigious banks and investment companies has created a tremendous amount of turmoil and confusion for those who fear their life savings may be at risk. Many are anxious to understand the degree and scope of protection offered through FDIC (Federal Deposit Insurance Corp).

FDIC Insurance covers all deposits in an FDIC Insured Bank with respect to Checking, Savings, Money Market, CD, Time Deposit, and NOW accounts for up to $100,000. Investments in Stocks, Bonds, Mutual Funds, Life Insurance Policies, Municipal Bonds, or Annuities are not insured by FDIC. In addition, US Treasury Bills, Bonds, or Notes ***are not covered by FDIC***. However, they are backed by the full faith and credit of the US Government.

The FDIC covers a basic account in the amount of $100,000 for each depositor in each bank. Certain Retirement Accounts are insured for up to $250,000. This includes Traditional IRA's, Roth IRA's, SEP IRA's, and Savings Incentive (simple) IRA's. Educational IRA's and Health Savings Accounts are not eligible for the increased IRA coverage of $250,000.

It is important to understand that separate accounts in the same bank or in different branches of the same bank are *not* separately insured. However, deposits maintained under different categories of legal ownership have additional insurance coverage.

SINGLE ACCOUNTS

FDIC applies to the total of single accounts at a bank for up to $100,000. For example, Mary Jones has 3 accounts, with $40,000 in each. She has coverage up to$100,000. Therefore, she has $20,000 of uninsured money. Single accounts are defined as follows:

- Accounts held in one person's name alone
- Accounts established for one person by an agent, nominee, guardian, custodian, or conservator, including Uniform Transfers to Minors Act accounts, escrowed accounts, and brokered deposit accounts.
- Accounts held in the name of a business that is a sole proprietorship, (for example, a "DBA Account").
- Accounts established for a decedent's estate
- Any account that fails to qualify for coverage under another ownership category.

JOINTLY HELD ACCOUNTS

Jointly held accounts provide for increased FDIC coverage. For example, husband and wife have joint accounts. Their accounts will be insured up to $200,000 of the total joint accounts. The husband has $100,000 as does the wife. Any funds that exceed $200,000 will not be covered.

POD Accounts (Paid on Death)

The owner of a POD account is insured up to $100,000 for each beneficiary if all of the following requirements are met:

- The account clearly indicates payable on death, in trust for, as trustee for, or other similar banking language.
- The Beneficiaries are identified by name on the account.
- The Beneficiaries fall into a specific qualifying class, such as spouse, child, grandchild, sibling, adopted or stepchild. In-laws, cousins, nieces/nephews, and organized charities do not qualify.

It is important to understand that the coverage is computed based on the number of Beneficiaries per owner. Therefore, if there is a Joint Account between husband and wife with three Beneficiaries, the coverage would be $300,000 for the Beneficiaries, and $300,000 for the husband and wife's coverage, for a total of $600,000. Likewise, a POD account in the name of one individual with two Beneficiaries will have coverage up to $200,000.

It is important to understand the FDIC coverage when setting up bank accounts. Failure to properly analyze the scope of coverage can result in the loss of funds in the event of a bank failure. ***Please look for our next newsletter, when we will analyze the FDIC coverage for Revocable and Irrevocable Trusts.***