

## Temporary Changes to FDIC Deposit Insurance Coverage

---

Effective October 3, 2008, the basic limit on federal deposit insurance coverage was temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2009. On January 1, 2010, FDIC deposit insurance for all deposit accounts—except for certain retirement accounts—will return to at least \$100,000 per depositor. Insurance coverage for certain retirement accounts, which include all IRA deposit accounts, was increased permanently to \$250,000 per depositor in 2006.

On October 14, 2008, the FDIC announced its temporary Transaction Account Guarantee Program, providing depositors with unlimited coverage for noninterest-bearing transaction accounts if their bank is a participant in the FDIC's Temporary Liquidity Guarantee Program. Noninterest-bearing checking accounts include Demand Deposit Accounts (DDAs) and any transaction account that has unlimited withdrawals and that cannot earn interest. Also included are low-interest NOW accounts that cannot earn more than 0.5% interest. Interest-bearing accounts include NOW accounts that can earn more than 0.5% interest, other interest-bearing checking accounts, Money Market Deposit Accounts (MMDAs), savings accounts, and Certificates of Deposit (CDs). This program is scheduled to end on December 31, 2009.

**The discussion and examples of deposit insurance coverage in this brochure assume deposits are held in interest-bearing accounts.**

### **I. What Does the FDIC Insure?**

The FDIC insures all deposits at insured banks, including checking, NOW and savings accounts, money market deposit accounts, and certificates of deposit (CDs), up to the insurance limit.

The FDIC does not insure the money you invest in stocks, mutual funds, life insurance policies, annuities, or municipal securities, even if you purchased these products from an insured bank.

### **II. Basic Insurance Amount Is \$250,000**

The basic insurance amount is \$250,000 per depositor per insured bank.

**If you and your family have \$250,000 or less in all of your deposit accounts at the same insured bank, you do not need to worry about your insurance coverage -- your deposits are fully insured.**

### **III. Coverage Over \$250,000**

The FDIC provides separate insurance coverage for deposit accounts held in different categories of ownership.

**You may qualify for more than \$250,000 in coverage at one insured bank if you own deposit accounts in different ownership categories.**

### **IV. Common Ownership Categories**

The most common ownership categories are:

- [Single Accounts](#)
- [Certain Retirement Accounts](#)
- [Joint Accounts](#)
- [Revocable Trust Accounts](#)

## V. Single Accounts

These are deposit accounts owned by one person and titled in that person's name only. All of your single accounts at the same insured bank are added together and the total is insured up to \$250,000. For example, if you have a checking account and a CD at the same insured bank, and both accounts are in your name only, the two accounts are added together and the total is insured up to \$250,000.

**Note:** Retirement accounts and qualifying trust accounts are not included in this ownership category.

## VI. Certain Retirement Accounts

These are deposit accounts owned by one person and titled in the name of that person's retirement plan. Only the following types of retirement plans are insured in this ownership category:

- Individual Retirement Accounts (IRAs) including traditional IRAs, Roth IRAs, Simplified Employee Pension (SEP) IRAs, and Savings Incentive Match Plans for Employees (SIMPLE) IRAs
- Section 457 deferred compensation plan accounts (whether self-directed or not)
- Self-directed defined contribution plan accounts
- Self-directed Keogh plan (or H.R. 10 plan) accounts

All deposits that an individual has in any of the types of retirement plans listed above at the same insured bank are added together and the total is insured up to \$250,000. For example, if an individual has an IRA and a self-directed Keogh account at the same bank, the deposits in both accounts would be added together and insured up to \$250,000.

Naming beneficiaries on a retirement account does not increase deposit insurance coverage.

**Note:** For information about FDIC insurance coverage for a type of retirement plan not listed above, refer to the FDIC resources on the back of this brochure.

## VII. Joint Accounts

These are deposit accounts owned by two or more people. If both owners have equal rights to withdraw money from a joint account, each person's shares of all joint accounts at the same insured bank are added together and the total is insured up to \$250,000.

If a couple has a joint checking account and a joint savings account at the same insured bank, each co-owner's shares of the two accounts are added together and insured up to \$250,000, providing up to \$500,000 in coverage for the couple's joint accounts.

**Example:** John and Mary have a \$520,000 CD at an insured bank. Under FDIC rules, each person's share of each joint account is considered equal unless otherwise stated in the bank's records. John and Mary each own \$260,000 in the joint account category, putting a total of \$20,000 (\$10,000 for each) over the insurance limit.

Account Holders	Ownership Share	Amount Insured	Amount Uninsured
John	\$ 260,000	\$ 250,000	\$ 10,000
Mary	\$ 260,000	\$ 250,000	\$ 10,000
<b>Total</b>	<b>\$ 520,000</b>	<b>\$ 500,000</b>	<b>\$ 20,000</b>

**Note:** Jointly owned qualifying trust accounts are not included in this ownership category.

## VIII. Revocable Trust Accounts

These are deposits held in either payable-on-death (POD) accounts or living trust accounts.

**Payable-on-death (POD) accounts** – also known as testamentary or Totten Trust accounts – are the most common form of revocable trust deposits. These informal revocable trusts are created when the account owner signs an agreement – usually part of the bank's signature card – stating that the deposits will be payable to one or more named beneficiaries upon the owner's death.

**Living trusts** – or family trusts – are formal revocable trusts created for estate planning purposes. The owner of a living trust controls the deposits in the trust during his or her lifetime.

**Note:** Determining coverage for living trust accounts can be complicated and requires more detailed information about the FDIC's insurance rules than can be provided in this publication. If you have a living trust account, contact the FDIC at 1-877-275-3342 for more information.

Deposit insurance coverage for revocable trust accounts is based on each owner's trust relationship with each beneficiary. While the trust owner is the insured party, coverage is provided for the interests of each beneficiary in the account. The FDIC insures the interests of each beneficiary up to \$250,000 for each owner if all of the following requirements are met:

- A beneficiary must be a person, charity or another non-profit organization (as recognized by the Internal Revenue Service). All other beneficiaries are not eligible for separate coverage as revocable trust deposits.
- The account title must indicate the existence of the trust relationship by including a term such as payable on death, in trust for, trust, living trust, family trust, or an acronym such as POD or ITF.
- For POD accounts, each beneficiary must be identified by name in the bank's account records.

If any of these requirements are not met, the entire amount in the account, or any portion of the account that does not qualify, would be added to the owner's other single accounts, if any, at the same bank and insured up to \$250,000. If the revocable trust account has more than one owner, the FDIC would insure each owner's share as his or her single account.

**Note:** The following example applies to POD accounts only. Coverage may be different for some living trusts.

**Example:** Bill has a \$250,000 POD account with his wife Sue as beneficiary. Sue has a \$250,000 POD account with Bill as beneficiary. In addition, Bill and Sue jointly have a \$1,500,000 POD account with their three children as equal beneficiaries.

Account Title	Account Balance	Amount Insured	Amount Uninsured
Bill POD to Sue	\$ 250,000	\$ 250,000	\$ 0
Sue POD to Bill	\$ 250,000	\$ 250,000	\$ 0
Bill & Sue POD to 3 children	\$ 1,500,000	\$ 1,500,000	\$ 0
<b>Total</b>	<b>\$ 2,000,000</b>	<b>\$ 2,000,000</b>	<b>\$ 0</b>

These three accounts totaling \$2,000,000 are fully insured because each owner is entitled to \$250,000 of coverage for the interests of each beneficiary in the accounts. Bill has \$1,000,000 of insurance coverage (\$250,000 for the interests of each beneficiary – his wife in the first account and his three children in the third account). Sue also has \$1,000,000 of insurance coverage (\$250,000 for the interests of each qualifying beneficiary – her husband in the second account and her three children in the third account).

When calculating coverage for revocable trust accounts, be careful to avoid these common mistakes:

- Do not assume that coverage is calculated as \$250,000 times the number of people –owner(s) and beneficiary(ies) – named on a trust account. Coverage is provided for the interest of each beneficiary named by each owner. Additional coverage is not provided to the owners for naming themselves as owners. For example, a father's POD account naming two sons as equal beneficiaries is insured to \$500,000 only -- \$250,000 for the interest of each beneficiary.
- Do not assume that the FDIC insures POD and living trust accounts separately. In applying the \$250,000 per-beneficiary insurance limit, the FDIC combines an owner's POD accounts with the living trust accounts that name the same beneficiaries at the same bank.

**Important!**

Accounts held POD to a revocable living trust will be insured as if the account were held in the name of the living trust.

---

## Certificates of Deposit: Tips for Savers

---

Investors searching for relatively low-risk investments that can easily be converted into cash often turn to certificates of deposit (CDs). A CD is a special type of deposit account with a bank or thrift institution that typically offers a higher rate of interest than a regular savings account. Unlike other investments, CDs feature federal deposit insurance up to \$250,000.

Here's how CDs work: When you purchase a CD, you invest a fixed sum of money for fixed period of time – six months, one year, five years, or more – and, in exchange, the issuing bank pays you interest, typically at regular intervals. When you cash in or redeem your CD, you receive the money you originally invested plus any accrued interest. But if you redeem your CD before it matures, you may have to pay an "early withdrawal" penalty or forfeit a portion of the interest you earned.

Although most investors have traditionally purchased CDs through local banks, many brokerage firms now offer CDs. These brokerage firms – known as "deposit brokers" – can sometimes negotiate a higher rate of interest for a CD by promising to bring a certain amount of deposits to the institution. The deposit broker can then offer these "brokered CDs" to their customers.

At one time, most CDs paid a fixed interest rate until they reached maturity. But, like many other products in today's markets, CDs have become more complicated. Investors may now choose among variable rate CDs, long-term CDs, and CDs with special redemption features in the event the owner dies.

Some long-term, high-yield CDs have "call" features, meaning that the issuing bank may choose to terminate – or call – the CD after only one year or some other fixed period of time. Only the issuing bank may call a CD, not the investor. For example, a bank might decide to call its high-yield CDs if interest rates fall. But if you've invested in a long-term CD and interest rates subsequently rise, you'll be locked in at the lower rate.

Before you consider purchasing a CD from your bank or brokerage firm, make sure you fully understand all of its terms. Carefully read the disclosure statements, including any fine print. And don't be dazzled by high yields. Ask questions – and demand answers – *before* you invest. These tips can help you assess what features make sense for you:

**Find Out When the CD Matures** – As simple as this sounds, many investors fail to confirm the maturity dates for their CDs and are later shocked to learn that they've tied up their money for five, ten, or even twenty years. Before you purchase a CD, ask to see the maturity date in writing.

**For Brokered CDs, Identify the Issuer** – Because federal deposit insurance is limited to a total aggregate amount of \$250,000 for each depositor in each bank or thrift institution, it is very important that you know which bank or thrift issued your CD. In other words, find out where the deposit broker plans to deposit your money. Also be sure to ask what record-keeping procedures the deposit broker has in place to assure your CD will have federal deposit insurance. For more information about federal deposit insurance, read the FDIC's publication [Your Insured Deposits](#) or call the FDIC's Central Call Center at (877) 275-3342 or (877) ASK-FDIC. For the hearing impaired call **1-800-925-4618** or **1-703-562-2289** (7:00 am to 7:00 pm Eastern time)

**Investigate Any Call Features** – Callable CDs give the issuing bank the right to terminate the CD after a set period of time, but they do *not* give you that same right. If the bank calls or redeems your CD, you should receive the full amount of your original deposit plus any unpaid accrued interest.

**Understand the Difference Between Call Features and Maturity** – Don't assume that a "federally insured one-year non-callable" CD matures in one year. If you have any doubt, ask the sales representative at your bank or brokerage firm to explain the CD's call features and to confirm when it matures.

**Confirm the Interest Rate You'll Receive and How You'll Be Paid** – You should receive a disclosure document that tells you the interest rate on your CD and whether the rate is fixed or variable. Be sure to ask how often the bank pays interest – for example, monthly or semi-annually. And confirm how you'll be paid – for example, by check or by an electronic transfer of funds.

**Ask Whether the Interest Rate Ever Changes** – If you're considering investing in a variable-rate CD, make sure you understand when and how the rate can change. Some variable-rate CDs feature a "multi-step" or "bonus rate" structure in which interest rates increase or decrease over time according to a pre-set schedule. Other variable-rate CDs pay interest rates that track the performance of a specified market index, such as the S & P 500 or the Dow Jones Industrial Average.

**Research Any Penalties for Early Withdrawal** – Be sure to find out how much you'll have to pay if you cash in your CD before maturity.

**Ask Whether Your Broker Can Sell Your CD** – Some brokered CDs are issued in the name of the "custodian" or deposit brokers. In some cases, the deposit broker may advertise that the CD does not have a prepayment penalty for early withdrawal. In those cases, the deposit broker will instead try to resell the CD for you if you want to redeem it before maturity. If interest rates have fallen since you purchased your CD and demand is high, you may be able to sell the CD for a profit. But if interest rates have risen, there may be less demand for your lower-yielding CD. That means you may have to sell the CD at a discount and **lose some of your original deposit** .

**Find Out About Any Additional Features** – For example, some CDs offer a death benefit that allows a CD owner's heirs to redeem the CD without penalty when the owner dies.

The bottom-line question you should always ask yourself is: Does this investment make sense for me? A high-yield, long-term CD with a maturity date of 15 to 20 years may make sense for many younger investors who want to diversify their financial holdings. But it might not make sense for elderly investors.

---

If you have a complaint about a CD you purchased through a bank, try to resolve your complaint directly with an officer of the bank before involving an outside agency. Financial institutions value their customers and most will be helpful. If you are unable to resolve the matter with the financial institution, use the following guidelines to determine where to direct your complaint.

**If your complaint is against a salesperson who represents a third-party investment firm, call the number below for instructions on where to write:**

Financial Industry Regulatory Authority  
(formerly The National Association of Securities Dealers (NASD))  
**(301) 590-6500**  
Internet: <http://www.finra.org/index.htm>

**If your complaint or inquiry is about a specific financial product or investment, contact:**

Securities and Exchange Commission (SEC)  
Office of Investor Education and Assistance  
450 5th Street, NW  
Mail Stop 11-2  
Washington, DC 20549  
**(202) 551-6551** or  
**(800) SEC-0330**  
Internet: <http://www.sec.gov>  
E-mail: [Help@sec.gov](mailto:Help@sec.gov)

---

If your complaint is about a financial institution or an employee of the financial institution, contact one of the federal agencies listed below.

**If the financial institution is a state-chartered bank and not a member of the Federal Reserve System, contact:**

Federal Deposit Insurance Corporation  
550 17th Street, NW  
Washington, DC 20429  
(877) 275-3342 or (877) ASK-FDIC  
For the hearing impaired call **1-800-925-4618** or **1-703-562-2289** (7:00 am to 7:00 pm Eastern time)  
Internet: <http://www.fdic.gov>  
Online Customer Assistance Form: <http://www2.fdic.gov/starsmail/index.html>

**If the financial institution is a national bank, contact:**

Comptroller of the Currency  
Customer Assistance Group,  
1301 McKinney Street, Suite 3450  
Houston, TX 77010  
**(800) 613-6743**  
Internet: <http://www.helpwithmybank.gov/>

**If the financial institution is a state-chartered member of the Federal Reserve System, contact:**

Board of Governors of the Federal Reserve System  
Division of Consumer and Community Affairs  
20th and C Streets, NW  
Washington, DC 20551  
**(202) 452-3693**  
Internet: <http://www.federalreserve.gov>

**If the financial institution is a thrift or a savings institution, contact:**

Office of Thrift Supervision  
Consumer Affairs  
1700 G Street, NW  
Washington, DC 20552  
**(202) 906-6237**  
**(800) 842-6929**  
Internet: <http://www.ots.treas.gov/>

---

Questions?

**Call**

FDIC Central Call Center  
(877) 275-3342 or (877) ASK-FDIC  
For the hearing impaired call **1-800-925-4618** or **1-703-562-2289** (7:00 am to 7:00 pm Eastern time)

**Visit**

FDIC on the Internet  
Internet: <http://www.fdic.gov>

**Or for Customer Assistance**

<http://www.fdic.gov/consumers/questions/index.html>