

FDIC Insurance Guidelines

This commentary covers the Federal Deposit Insurance Corp. (FDIC) insurance guidelines for certain types of accounts holding insured bank deposits.

FDIC insurance covers all types of deposits with an insured bank, including money market deposit accounts and CDs. The standard maximum deposit insurance amount (SMDIA) through December 31, 2013 is \$250,000 per depositor, per insured bank. On January 1, 2014, the SMDIA is scheduled to return to \$100,000 per depositor, per insured bank, with a few exceptions (see Appendix A).

Depending on account ownership, the number of depositors who qualify for FDIC insurance coverage can vary. Appendix A lists the general FDIC insurance rules for each category of account ownership. Appendix B is an example of a married couple with three children maximizing their FDIC insurance.

Please remember that while the SMDIA may change in 2014, the rules for calculating FDIC coverage should remain the same. Unless Congress changes the 2014 (and later) SMDIA, purchases of CDs maturing after 2013 should be done considering the \$100,000 SMDIA instead. For additional information about FDIC insurance, visit www.fdic.gov/deposit.

Copyright © 2010, JDH Wealth Management LLC. This material and any opinions contained are derived from sources believed to be reliable, but its accuracy and the opinions based thereon are not guaranteed. The content of this publication is for general information only and is not intended to serve as specific financial, accounting or tax advice. To be distributed only by a Registered Investment Advisor firm. Information regarding references to third-party sites: Referenced third-party sites are not under our control, and we are not responsible for the contents of any linked site or any link contained in a linked site, or any changes or updates to such sites. Any link provided to you is only as a convenience, and the inclusion of any link does not imply our endorsement of the site.

Appendix A

| Ownership Category | Description for Insurance Purposes | Depositor | Coverage | Notes |
|---------------------------------|--|--------------------------------|--|--|
| Single | Account held in one person's name only, without a designated beneficiary | Account owner | 1 owner = \$250,000 | If an individual has multiple "single" accounts at one bank (for example, checking, money market savings and CD), total insurance is \$250,000 |
| Certain Retirement Accounts | <ul style="list-style-type: none"> - Traditional, Roth, SEP, SIMPLE IRAs - Section 457 deferred compensation plans - Self-directed defined contribution plans - Self-directed Keogh plan | Account owner | 1 owner = \$250,000 | If an individual has multiple retirement accounts at one bank (for example, IRA and Roth IRA), total insurance is \$250,000 |
| Joint | A deposit owned by two or more people, without a designated beneficiary | Account owner(s) | # owners x \$250,000 | Co-owners must be people and have equal rights to withdraw from the account. The balance of a joint account can exceed \$250,000 and still be fully insured. For example, if the same 2 people own a \$350,000 CD and a \$150,000 MMDA at the same insured bank, the two accounts would be added together and insured up to \$500,000. |
| Revocable Trust | A deposit account owned by one or more people that identifies one or more beneficiaries who will receive the deposits upon the death of the owner(s). Includes informal revocable trusts (payable on death "POD") and formal revocable trusts (living or family trusts). | Beneficiaries | <p>Five or fewer beneficiaries: # beneficiaries x \$250,000</p> <p>Six or more beneficiaries: Equal beneficial interest (\$250,000 per beneficiary) vs. unequal beneficial interest (max of \$1.25 million or sum of each beneficiary's actual interest up to \$250,000)</p> | Beneficiaries must be living people and must be named in trust document or in definitions. |
| Irrevocable Trust | Deposit accounts held in connection with a trust established by a statute or written agreement in which the owner contributes property to the trust and gives up all power to cancel or change the trust. | Account owner | 1 owner = \$250,000 | If trust is originally a revocable trust that becomes irrevocable after the death of the trust owner, the revocable trust rules for insurance still apply. |
| Generation Skipping Trust (GST) | Deposit accounts held in connection with a trust established by a statute or written agreement in which the assets are passed down to the grantor's grandchildren. | Account owner or beneficiaries | See Revocable and Irrevocable Trust rules | If created from a revocable trust, use revocable trust rules. If created from an irrevocable trust, use irrevocable trust rules. |

| | | | | |
|---|---|---------------|---|--|
| Employee Benefit Plan | Pension plan, profit sharing plan, defined benefit plan or other employee benefit plan that is not self-directed. | Beneficiaries | Identify participant who has the largest share of plan assets and calculate his/her share as a percentage of overall plan assets. Then divide the SMDIA by that percentage to arrive at the maximum amount that a plan can have on deposit at one bank. | |
| Corporation, Partnership, LLC and Unincorporated Association Accounts | Deposits owned by corporations, partnerships and unincorporated associations. | Account owner | 1 owner = \$250,000 | The number of partners, members or account signatories does not affect insurance coverage. |

Appendix B

Bill and Sue are married and have three children: Jim, Jane and John.

| <u>Account Title</u> | <u>Ownership Category</u> | <u>Account Balance</u> | <u>Amount Insured</u> | <u>Amount Uninsured</u> |
|------------------------------|---------------------------|------------------------|-----------------------|-------------------------|
| Bill | Single | \$250,000 | \$250,000 | \$0 |
| Sue | Single | \$300,000 | \$250,000 | \$50,000 |
| Bill and Sue | Joint | \$500,000 | \$500,000 | \$0 |
| Bill IRA | Retirement | \$250,000 | \$250,000 | \$0 |
| Sue IRA | Retirement | \$500,000 | \$250,000 | \$250,000 |
| Bill POD to Sue | Revocable Trust | \$400,000 | \$250,000 | \$150,000 |
| Sue POD to Bill | Revocable Trust | \$250,000 | \$250,000 | \$0 |
| Bill and Sue Revocable Trust | Revocable Trust | \$600,000 | \$1,500,000 | \$0 |
| Total | | \$3,050,000 | \$3,500,000 | \$450,000 |