

## [Is Your Bank Account Insured?](#)

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This excellent article is reprinted with permission from the Law Firm of Oast and Hook, an elder law firm in Virginia. It discusses when your bank accounts are insured and for how much.

The recent failures of IndyMac Bank, 1st National Bank of Nevada, First Heritage Bank and other banks have caused many of our clients to ask if their accounts are insured. There are three situations where this question comes up. In the first situation you have established a depository account in a bank in your individual name or in the name of a Revocable Living Trust. In the second situation, the bank is serving as a trustee of a trust for your benefit. We will call the first situation *bank accounts* and the second situation *trust accounts*. The third situation is a custodian account where a bridge firm or a bank brokerage subsidiary is holding assets, such as stocks, bonds or mutual funds in an account in your individual name or the name of your Living Trust. Let's call these *custodial accounts*. You will not be surprised to find that the rules are not simple.

### **Bank Accounts**

FDIC/NCUSI –The Federal Deposit Insurance Corporation (FDIC), [www.fdic.gov/index.html](http://www.fdic.gov/index.html), insures deposit accounts at most banks and savings & loan associations. The National Credit Union Share Insurance (NCUSI), [www.ncua.gov/ShareInsurance/index.htm](http://www.ncua.gov/ShareInsurance/index.htm), fund insures deposits of credit union members. Increasingly, institutions are also offering consumers a broad array of investment products that are not deposits, such as mutual funds, annuities, life insurance policies, stocks and bonds. Unlike the traditional checking, savings account, or certificates of deposit however, these non-deposit investment products are not insured.

Insurance Limits – FDIC or NCUSI protects you against loss of your insured deposits in the event of the failure of an insured institution. If you or your family has less than \$100,000 of deposit accounts at one insured institution, you are fully insured. If you or your family has more than \$100,000 of deposit accounts at one insured institution, you may still be fully insured if certain requirements are met. Briefly, these requirements are as follows:

- **Single Accounts:** \$100,000 of insurance per insured institution.
- **Joint Accounts:** Each individual is permitted to have his or her full \$100,000 coverage on joint accounts. For example, a husband and wife could have one or more accounts at the same institution covered for an aggregate maximum amount of \$200,000, with each person's interest deemed to be \$100,000.
- **Revocable trust (in trust for or payable on death to):** There is an additional \$100,000 per beneficiary insurance coverage per beneficiary.

- **IRA and Keogh Accounts:** IRA and Keogh accounts are insured up to \$250,000 separately from any non-retirement accounts.

Calculators – Both the FDIC and the NCUSI offer on line calculators to assist you in determining if your accounts are fully insured: FDIC: [www4.fdic.gov/EDIE](http://www4.fdic.gov/EDIE) and NCUSI: [webapps.ncua.gov/ins](http://webapps.ncua.gov/ins).

Separate Institution – If a depositor has accounts in several different insured institutions, will the accounts be added together for the purpose of insurance coverage? No. Deposit insurance is applied to accounts in each insured institution. A depositor who has accounts in two or more different insured institutions would have coverage up to the full insurable amount in each institution. In the case of an institution having one or more branches, the main office and all branch offices are considered as one institution.

FDIC and NCUA Coverage – How do you determine if an institution is insured? An insured institution must display an official sign (FDIC or NCUA) at each teller window or station where deposits are regularly received. To determine if a specific institution is insured, contact the FDIC or NCUA.

### **Trust Accounts**

If a bank or other financial institution is acting as a trustee of a trust of which you are a beneficiary, then the issue is different. As a general rule, trustees do not invest in their own stock nor do they hold money in depository accounts in their own institution. Trust assets are usually invested in stocks or bonds of outside companies. For example, a bank may have investments in Exxon/Mobil, or Google or Goldman Sachs or Target. If the bank serving as trustee fails, then your investments would be safe as long as the underlying companies in which the trustee invested remain sound.

### **Custodial Accounts**

Securities you own, including mutual funds, that are held for your account by a broker, or a bank's brokerage subsidiary are not insured against loss in value. The value of your investments can go up or down depending on the demand for them in the market. The Securities Investors Protection Corporation (SIPC), a non government entity, [www.sipc.org](http://www.sipc.org), replaces missing stocks and other securities in customer accounts held by its members up to \$500,000, including up to \$100,000 in cash, if a member brokerage or bank brokerage subsidiary fails. Many brokerage firms and bank brokerage subsidiaries provide additional insurance in excess of the amounts provided by the SIPC.

