



PROTECTING YOUR BANKING ASSETS – *UPDATED*

On September 26th, 2008 the FDIC increased the insured limits of deposits at member banks. We have updated this piece to reflect the higher insured limits for the various types of deposits you can open at a bank and, therefore, increase the overall insurance limits for cash on deposit. **The legislation authorizing the increase in deposit insurance coverage limits makes the change effective October 3, 2008, through December 31, 2009.**

Congress created the FDIC (Federal Deposit Insurance Corporation) in 1933 as an independent agency of the United States. The FDIC insures deposits at over 8,000 banks and savings associations and is backed by the full faith and credit of the U.S. government. When a bank fails (which has happened 127 times in the past 15 years), depositors can take some comfort in knowing federal law requires the FDIC to make payments as soon as possible.

Based upon its track record, the FDIC has typically made insured deposits available a few days after a bank closing. As of March 2008, the FDIC fund was well capitalized with assets totaling \$53 billion. The most important takeaway for bank depositors is to maximize the amount of their balances that fall under the FDIC insurance safety blanket.

Finding out your bank has failed is nerve-wracking, and once it has happened, there is not much you can do after the fact. However, with a little bit of planning, depositors can greatly increase their insured amounts and significantly reduce their exposure to loss should their banks fail.

Here are a few ideas to help you get started:

- Make deposits at FDIC-insured banks. The FDIC logo should be plainly displayed on their Web site and in their branches.
- Make sure you understand the rules of insurance coverage. The FDIC aggregates each customer's deposits, such as checking accounts, savings accounts and CDs, into several "ownership categories" that each receive separate FDIC insurance coverage. Understanding and taking advantage of these ownership categories is the primary way for depositors to maximize their FDIC-insured balances.

IMPORTANT DISCLOSURES

The information provided here is for general informational purposes only and should not be considered an individualized recommendation or personalized advice. The strategies mentioned here may not be suitable for everyone. Each investor needs to review their portfolio strategy carefully for his or her own particular situation before making any decisions.

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Ownership Category	Insurance Limit
Single accounts	\$250,000 per depositor across all accounts of the same category. Includes sole proprietorship accounts.
Certain retirement accounts	\$250,000 per owner, excluding Coverdell education savings, health savings and medical savings accounts.
Revocable trust accounts	\$250,000 per qualified beneficiary per owner. Includes both formal and informal revocable trust accounts. Limits apply for formal trusts.
Irrevocable trust accounts	\$250,000 per trust when trust has contingencies.
Employee benefit plan accounts	Up to \$250,000 for each participant's noncontingent interest in the plan.
Corporation, partnership and unincorporated association accounts	\$250,000 per incorporated entity, partnership, or unincorporated association.
Government accounts	\$250,000 per official custodian of government entities. Demand deposits are separately insured from savings deposits.

- Make the most the first four ownership categories listed above (the most common categories) to maximize coverage. For example, with careful planning, a married couple can have more than \$3 million of FDIC coverage. Here's how:

Account Title	Insured Amount
Wife's individual savings accounts, checking accounts and CD's	\$250,000
Husband's individual savings accounts, checking accounts and CD's	\$250,000
Husband and wife joint checking accounts, savings accounts and CD's	\$500,000
Husband's retirement account (IRA)	\$250,000
Wife's retirement account (IRA)	\$250,000
Husband and wife's living trust account naming three children as beneficiaries	\$1,500,000
Total	\$3,000,000

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- When purchasing CD's through a brokerage account, make sure to stay under the \$250,000 insurable limit with any single issuing bank, and don't forget to consider any other deposits you may have with an issuing bank (e.g., if you already have deposits of \$250,000 with a bank, don't purchase CD's from the same bank in the same ownership category).
- A lesser-known ownership type is the payable-on-death (POD) account, a type of informal revocable trust. Using this type of account can easily increase your total insurable amount because the coverage is given for each "qualified" beneficiary (which excludes nieces and nephews, among others).
- Be aware of the implications of bank mergers and acquisitions. If you have deposits at both banks, you may inadvertently end up with uninsured balances. However, the FDIC provides a six-month grace period where the ownership categories are insured separately for each affected bank. If necessary, make sure to restructure your accounts within that time period.
- Periodically review your beneficiaries for your trust accounts. The death of a beneficiary can reduce your FDIC coverage.
- Because the deposit insurance rules are so complex, you may want to use FDIC's online tool, Electronic Deposit Insurance Estimator (EDIE), to estimate your total coverage at any particular bank.
- If, after exhausting all of your options, you still have uninsured balances remaining, then your final option is to open another account at a different bank.

By understanding the FDIC rules and structuring your accounts appropriately, you can ensure that all of your bank deposits are insured by the FDIC. That way, if you are ever affected by a bank failure, it may be easier to sleep at night knowing your insured deposits are backed by the full faith and credit of the U.S. government.

If you're one of the unlucky few who has uninsured deposits at a bank that has already failed, there is not much you can do to increase your insured amounts at this stage. However, there are some important things you should know and actions you should take in order to maximize the recovery of your assets:

- Take an inventory of all of your bank deposit accounts at the failed bank. Collect information such as account balances, account names and names of beneficiaries. Make sure to include any CD's issued by the bank that were purchased in brokerage accounts.
- If you or your family's account balances total more than \$250,000, use the FDIC online tool EDIE to estimate your insurance coverage. Due to separate coverage on different ownership categories, your accounts may be covered beyond the basic \$250,000 amount. Any account balance exceeding your FDIC coverage is

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- considered an uninsured deposit. Visit the FDIC Web site (www.FDIC.gov) for more information.
- Expect interest rates on CD's issued by the bank to be reduced. The acquiring bank has the right to change CD terms, but you also have the right to terminate without penalty.
 - Continue making loan payments on outstanding debt owed to the failed bank. The terms of the loan are fixed, and you are contractually obligated to pay. However, if you have any uninsured deposits at the failed bank, you may be able to deduct the outstanding loan balanced from the uninsured balance if the title on both is the same. Discuss this with an FDIC claims agent.
 - Make an appointment with an FDIC claims agent to make claims on your uninsured deposits. The amount of uninsured deposits you may receive, if any, will be based on the sale of the failed bank's assets. As assets are sold, uninsured depositors receive periodic payment on their uninsured deposit claims. Although this is better than receiving nothing for your uninsured balances, the process can take years. Although not required to do so, in IndyMac's case, the FDIC has offered to pay a 50% advance dividend on uninsured deposits. Historically, depositors receive 70% to 80% of their uninsured deposits after the sale of a failed bank's assets, but that is never a guarantee.

For more information on FDIC coverage, please refer to FDIC's comprehensive guide, Your Insured Deposits (<http://www.fdic.gov/deposit/deposits/insured/>).

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