Federal Deposit Insurance Corporation (FDIC)

Important facts on insurance coverage

Wealth Management

It is important to understand the deposit insurance coverage provided by FDIC-insured banks or savings institutions, and the subject has generated many questions of late. This fact sheet provides some basic information as to coverage limits and also includes useful links to the FDIC website.

The Dodd-Frank Wall Street Reform and Consumer Protection Act enacted on July 21, 2010, permanently raises the current standard maximum deposit insurance amount to $250,000. The FDIC insurance coverage limit applies per depositor, per insured depository institution for each account ownership category.

The FDIC, short for the Federal Deposit Insurance Corporation, covers deposits at FDIC-insured banks. These include:

- Checking accounts (including NOW, money market deposit accounts)
- Savings accounts
- Certificates of Deposit (CDs)
- Retirement accounts (consisting of cash on deposit at a bank or thrift)

FDIC insurance excludes such things as:

- Investments in mutual funds (stocks, bonds or money market mutual funds)—whether purchased from a bank, brokerage, or dealer
- Annuities (underwritten by insurance companies, but sold at some banks)
- Stocks, bonds, Treasury securities, or other investment products whether purchased through a bank or broker/dealer

The $250,000 amount applies to all depositors of an insured bank, except for owners of certain retirement accounts which are insured up to $250,000. These retirement accounts 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 IRAs, Roth IRAs, simplified employer and simplified employee
- Simplified Employer Pension (SEP), and Savings Incentive Match Plans for Employees (SIMPLE) IRAs
- Section 457 deferred compensation plan accounts (whether or not they are self-directed)
- Self-directed defined contribution plan accounts
- Self-directed Keogh plan (or H.R. 10 plan) accounts

All deposits 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. Deposits maintained in different categories of legal ownership at the same bank can be separately insured and, therefore, it is possible to have deposits of more than $250,000 at one insured bank and still be fully insured. One example of this instance is a joint account. Joint accounts are deposit accounts owned by two or more people. If all 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 per individual per institution. However, 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. If a joint account is owned by several individuals, they can each own $250,000 of the same bank in the joint account and also own $250,000 of the same bank in an individual account and still be covered by FDIC insurance.

The FDIC recognizes eight ownership categories for purposes of insurance coverage, and under each of these, there are requirements that must be met to have coverage beyond the basic $250,000. These categories are:

- Single accounts
- Certain retirement accounts
- Joint accounts

- Revocable trust accounts
- Irrevocable trust accounts
- Employee benefit plan accounts
- Corporation/partnership/unincorporated association accounts
- Government accounts

Financial advisors and their clients can access additional information on FDIC insurance coverage at these links:

- FDIC home page: www.FDIC.gov
- Read more about FDIC insurance online: www.fdic.gov/deposit
- Detailed discussion on coverage for the eight ownership categories mentioned above: www.fdic.gov/resources/deposit-insurance/financial-products-insured
- Calculate your insurance coverage online using the FDIC's Electronic Deposit Insurance Estimator: edie.fdic.gov/calculator.html
- Bank Find — locate a single FDIC-insured institution: banks.data.fdic.gov/bankfind-suite/bankfind

As financial institutions have merged or been acquired in recent years, situations have arisen where an investor owns more than one CD of the same institution—possibly causing them to exceed FDIC coverage limits.

The FDIC has verified that in the case of an acquisition, investors will have insurance coverage on the CD of the acquired institution until that CD matures, even if the acquisition were to put them in the position of owning CDs in both institutions and therefore possibly exceeding FDIC coverage limits.

Even with this assurance, it remains important that financial advisors and their clients familiarize themselves with the FDIC insurance guidelines, and utilize the FDIC links in order to see that full FDIC insurance coverage is maintained at all times.