Deliver to: Roland Baggs

The "Daily Plan-It™"

SHUMATE BROKERAGE CORP.

Volume 10, Issue 22 **10/30/2008**

Protecting Clients from a Bank Failure

Dividing assets into specific account categories guarantees full insurance by the FDIC

Perhaps like us you've heard from a few clients panicking over the nation's banking crisis. They're fearful because fifteen U.S. banks have gone under this year and experts predict the trend will continue.

Clients want to know how to safeguard their assets. That's why we've gathered the latest banking rules to help you explain how.

Some Good News

It's worth noting that since the Federal Deposit Insurance Corporation (FDIC) began insuring banks in January 1934, no depositor has lost a single cent of insured funds as a result of a bank failure.

To reassure depositors in today's financial climate, the FDIC has made a few policy changes. It simplified rules for revocable trusts, increased the level of insurance coverage per depositor from $100,000 to $250,000 for interest bearing accounts, and agreed to insure the full value of non-interest-bearing accounts until Dec. 31, 2009.

Something your clients might not know is that FDIC coverage on interest-bearing accounts can be increased – if the accounts are held in <u>different ownership categories</u>. These include single accounts, certain retirement accounts, joint accounts and revocable trust accounts.

Divide and Insure

Let's assume a husband and wife need to deposit more than $250,000 into interest-bearing accounts and want to use only one bank. Their money can still be fully insured provided their accounts meet certain requirements.

Here's how this works:

1. Account A ($250,000) is a checking account opened under the husband's name payable upon death to his trust.
2. Account B ($250,000) is a checking account opened under the wife's name payable upon death to her trust.
3. Account C ($500,000) is opened as a joint account under both spouses' names. Each owner's share is insured up to $250,000.
4. Account D ($250,000) is a revocable trust account opened by the husband.
5. Account E ($250,000) is a revocable trust account opened by the wife.

Living Trust Advantage

One of the most interesting things we learned in writing this article with regard to living trusts is that FDIC insurance coverage is based upon the number of named beneficiaries of trust and is not limited by the number of trust owners. For example, client John Smith has named his 10 children as beneficiaries of his trust. This means Smith can place up to $2.5 million into his revocable trust account and the entire deposit would be fully insured.

If you've got further questions, please call us. We're here to help.