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Certified Public Accountants & Profitability Consultants

RSSM Alert

Worried About the Bank Crisis? Here are 8 Things You Should Know

During the past few weeks, U.S. regulators have taken over the operations of a number of banks, sending tremors through our financial markets. **So far this year there have been at least seven bank failures.** If your bank were to fail, would your money be safe? All of us know that the Federal Deposit Insurance Corporation ("FDIC") insures the deposits held by nearly all banks and savings associations located in the United States, but do we really know exactly what is insured and for how much. Here are 8 things you should know about the FDIC and your money:

1. The FDIC is an independent agency of the United States government. The FDIC protects depositors against the loss of their insured deposits if an FDIC-insured bank or savings association fails. FDIC insurance is backed by the full faith and credit of the United States government.
2. FDIC deposit insurance covers deposits held in checking, NOW, savings and money market accounts plus certificates of deposit. It does not insure money invested in stocks or annuities even if purchased from an FDIC member institution. The FDIC also insures certain retirement plan accounts.

Accounts are insured up to the following maximums:

3. **Single Accounts** - All accounts titled in the name of the same person, corporate entity, LLC or partnership are added together and insured up to \$100,000 **per banking institution.**
4. **Joint Accounts** - Depending on the ownership rights associated with the account, accounts held in the name of two or more people are totaled and **each co-owner's** share of the total is insured up to \$100,000 - again per banking institution. Great care must be taken when setting up the joint accounts, especially where the shares are not equal.
5. **Certain Retirement Accounts** - Deposits owned by one person and titled in the name of his or her retirement plan are totaled and insured up to \$250,000. Only certain plans are eligible for FDIC coverage and all eligible plans held by the same insured bank must be aggregated for the purposes of determining insurance limits. Eligible plans include IRAs (traditional, ROTH, SEP, and SIMPLE), IRC 457 deferred compensation plan accounts, **self-directed** Keogh accounts (or H.R.10 plans accounts) and **self-directed** defined contribution plans accounts, such as self-directed 401(k) plans.

6. **Revocable Trust Accounts** - There are various types of revocable trust accounts that are insured by the FDIC. The rules for determining the maximum insurance limit are complex depending on the trust agreement. A revocable trust account is in the name of one or more persons, but payable to one or more different persons (beneficiaries). If there is more than one revocable trust account, the balances in each trust are added together and the \$100,000 limitation applies to **each beneficiary**. The single most important thing to remember is that the \$100,000 insurance limit is determined per **qualifying beneficiary**.

7. **Irrevocable Trust Accounts** - The interests of a beneficiary in all deposit accounts established by the same grantor and held by the same insured bank under an irrevocable trust are added together and insured up to \$100,000 **per beneficiary** - if all bank requirements are met.

8. **Employee Benefit Plan Accounts** - The maximum insurance limit is dependent upon whether the plan beneficiaries' interests are "**contingent**" or "**non-contingent**". If contingent, such as in health and welfare plans, all deposits in one banking institution are aggregated and insured up to \$100,000 in total. If non-contingent, the interest of each participant is limited to \$100,000.

If you have any concerns regarding your accounts and FDIC coverage, we at RSSM are available to assist you in reviewing your current situation and restructuring accounts if necessary to maximize your insurance coverage. Please feel free to contact us at 212-303-1880 or e-mail at info@rsmcpa.com.

Sincerely,
Rosen Seymour Shapss Martin & Company LLP

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