What is covered by FDIC insurance?

The Federal Deposit Insurance Corporation (FDIC) is an independent government agency and was created in 1933 during the Great Depression. Its purpose is to protect depositors in insured banks against the loss of their deposits if the bank fails. The current limit is $250,000 which was made permanent in the Dodd Frank Wall Street Reform and Consumer Protection Act which was signed by President Obama on July 21, 2010. The $250,000 limit is per depositor, per bank, for each account ownership category.

! Single Accounts. An account held in one person's name alone. This type of account is entitled to a $250,000 of insurance per depositor per bank. Note that if a person has named a beneficiary for an account, the account is treated as a Revocable Trust Account, not a Single Account.

  An estate account is a single account. An account held in the name of a business that is a sole proprietorship is a single account and is added to the owner's other single accounts in the same bank. A Uniform Transfers to Minors Act account is a single account as is an escrow account.

! Joint Accounts. An account owned by two or more people (living people, not entities) with no beneficiaries designated. If all co-owners have equal rights to withdraw from the account and all co-owners sign the signature cards (unless the account is a CD), then each co-owner's shares of every joint account that he or she owns at the same bank are added together and the total is insured up to $250,000. That is, each co-owner gets a maximum of $250,000 FDIC insurance, regardless of how many accounts are at that bank. For example, a husband and wife could have $500,000 in a joint account and the deposit would be fully insured. Using different social security numbers or reordering the order of names on joint accounts has no effect on how much insurance is available.

! Certain Retirement Accounts. All insured retirement accounts owned by the same person at the same bank are insured up to $250,000. Insured retirement accounts include Traditional IRAs, Roth IRAs, SEP IRAs and SIMPLE IRAs, self-directed 401(k) plan accounts, self-directed Keogh accounts, Section 457 deferred compensation plan accounts.

! Corporation/Partnership/Unincorporated Association Accounts. The entity must be involved in an independent activity. It can't be created just to multiply FDIC insurance. All deposits owned by a corporation, partnership or unincorporated association at the same bank are combined and insured up to $250,000. Both for-profit and not-for profit organizations are included.

! Revocable Trust Accounts. "Pay on death" accounts, totten trusts, "in trust for" accounts - all created by the bank's deposit agreement - are called informal revocable trusts. Formal revocable trusts are written documents that create trusts, often for estate planning.

The owner of a revocable trust is insured up to $250,000 for each different beneficiary. A person who has the right to income for life is considered to be a beneficiary. The persons who receive the trust at the termination of the income interest are also counted as beneficiaries. When a trust has five or fewer beneficiaries, maximum coverage is $1,250,000 (5 x $250,000). Where a trust has six or more beneficiaries and all beneficiaries have equal interests, there is $250,000 insurance per beneficiary for an unlimited number of beneficiaries. When a trust with six or more beneficiaries has beneficiaries who do not receive equal amounts, then the maximum insurance is the greater of (1) the sum of each beneficiary's actual interest in the revocable trust up to $250,000 per beneficiary or (2) $1,250,000.

! Irrevocable Trust Accounts. These accounts are held by trusts established by written trust documents. An irrevocable trust may also be created when the grantor of a revocable trust dies. The interests of a beneficiary in all accounts owned by an irrevocable trust at the same bank are added together and insured up to $250,000 but a beneficiary's interest must not be contingent. If the Trustee has the authority to invade principal, which would take principal away from the other beneficiaries (making their interests contingent on the trustee's non-exercise of the power), insurance coverage for an irrevocable trust is usually limited to $250,000 total.

! Employee Benefit Plan Accounts. This insurance "passes through" the plan administrator to each participant's share up to $250,000 per participant.

! Government Accounts. These are deposits of the United States, any state, county, municipality or political subdivision, or an Indian tribe. Each official custodian of time and savings deposits of a public unit is insured up to $250,000. Demand deposits are separately insured up to another $250,000. Pubic deposits maintained in out-of-state banks are limited to a maximum of $250,000 in coverage per official custodian.

If an account owner dies, the insurance continues as if the decedent were alive for six months. When two or more banks merge, deposits are insured separately for six months after the merger. After the six-month period, the banks are treated as one bank. CD's are insured until the earliest maturity date after the end of the six-month period.

Confused? It is complicated. Try EDIE The Estimator at www.fdic.gov/edie. You can enter the bank, the category of account, the owner, beneficiary etc. and EDIE will tell you how much FDIC insurance you have. It calculates one bank at a time.