

## What kind of FDIC coverage do you have?

By Denice Gierach, as published in The Naperville Sun – December 14, 2008

The Federal Deposit Insurance Corporation is an independent federal agency that protects owners of bank accounts against losses if the bank or savings and loan fails. The amount of "insurance" that the FDIC provides has recently increased to \$250,000 for each owner of the account, designed to quiet the financial markets. This amount of coverage is temporary and scheduled to return to the lower amount Jan. 1, 2010.

Many Naperville residents who have done living or revocable trusts might wonder how much coverage those living trusts may be provided by the FDIC. The living or revocable trusts referred to in this article are not the informal "payable on death," "Totten trust" or "in trust for" accounts, which are created when the account owner signs a card at the bank, stating that the proceeds are payable to one or more beneficiaries. The living or revocable trust referred to in this article is the formal trust document, prepared by an attorney, controlled by the owner during his or her lifetime.



*Denice Gierach,  
owner and founder,  
The Gierach Law Firm*

Per the interim regulations concerning FDIC coverage, the owner of the revocable trust account has FDIC coverage of up to \$250,000 per beneficiary, provided there are five or fewer beneficiaries. In the event there are six or more beneficiaries, there is coverage for the greater of either each beneficiary's interest in the trust up to a maximum amount of \$250,000 or \$1,250,000.

In the past, the FDIC coverage was only extended to certain beneficiaries such as the owner's spouse, children (including stepchildren and adopted children), grandchildren, parents or siblings. Under the new regulations, FDIC coverage is granted to any beneficiary, regardless of the relationship the beneficiary has to the owner. It also includes charities and not-for-profit organizations as defined by the Internal Revenue Code. The FDIC has encouraged owners to give the bank the names of the trust beneficiaries as part of its records, although it is not clear whether the owner would have to just list the names on a bank card, or if the bank will require a copy of the trust agreement to verify coverage.

Obviously, there are a number of unanswered questions, not the least of which is what happens when the trust is changed, changing the beneficiaries or if the owner has additional children or grandchildren. The FDIC will have to provide additional guidance for the open issues. In these trying economic times, having your accounts insured by the FDIC provides at least some comfort.

*Denice Gierach is a lawyer and owner of The Gierach Law Firm in Naperville. She is a certified public accountant and has a master's degree in management. She may be reached at [deniceg@gierachlawfirm.com](mailto:deniceg@gierachlawfirm.com) or 630-756-1160.*