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# Is My Money Safe?

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**By Robert T. Luttrell, III**

*Disclaimer:* I hate to start a column with a lawyer-like disclaimer. But I am one, so here it is: The recent financial crisis, along with the subsequent government bailout, has already impacted our nation's banking and financial systems, and it will likely have ongoing effects for years to come. Government insurance is only a part of the equation in deciding when, where and how to invest. Before making any investment decisions, check with your counsel and financial and tax advisers.

In this period of financial turmoil, consumers and businesses are justifiably concerned not only about their market investments and retirement savings, but also about the safety of their money in banks and savings and loan associations insured by the Federal Deposit Insurance Corporation. While the markets continue to take investors on a rollercoaster ride, the country's FDIC insurance program remains solid.

The FDIC was created by Congress in 1933 following the failure of thousands of banks in the 1920s and 1930s. While some depositors who made an early run on cash were able to withdraw some of their money, most were left with just empty accounts and a lack of trust in the nation's banking system. Since its inception, though, it's important to note that no depositor has lost any of their FDIC-insured funds as a result of a bank failure.

FDIC insurance, which is funded through premiums paid by participating financial institutions, covers deposits only. The most common purposes for which deposits are made fall into several categories. They range from funds needed for day-to-day living or business expenses (checking accounts) to short-term deposits for a rainy day (savings or money market accounts) to longer-term deposits (certificates of deposit). While FDIC insurance also covers IRAs and certain other retirement accounts held at financial institutions, it does not cover other investment products which banks may offer, including mutual funds, life insurance, annuities, stocks and bonds. These products will be accompanied by a notice stating they are not subject to FDIC insurance.

It's important that depositors understand their coverage limits to ensure their funds are fully insured. FDIC insurance coverage is based on aggregating accounts of the same depositor and of the same account ownership category at each individual FDIC-insured financial institution. In other words, the way an account is held – either as a single account owned by one person or entity (e.g. corporation, partnership, unincorporated association, or governmental entity) or as a joint account owned by two or more persons – can raise your coverage. On October 14th, the insurance coverage was temporarily raised from $100,000 to $250,000 per owner until December 31, 2009. IRAs and certain retirement accounts will continue to be insured up to $250,000 beginning January 1, 2010.

To complicate the insurance calculation, there is no upper limit for non-interest-bearing transaction accounts (the checking accounts in the above example) until November 13, 2008, as part of the Temporary Liquidity Guarantee Program ("TLGP"). This increase will remain in effect until December 31, 2009, for those institutions not opting out of the TLGP. Institutions opting out will be listed on the FDIC website (www.fdic.gov). Notice of the decision either to remain in the TLGP or to opt out will also be posted at the main office and each branch of the institution.

Example: If you are the sole owner of non-interest-bearing checking account, a savings account and a CD at ABC Bank, the checking account would be fully insured and the sum the deposits in the savings account and CD will be insured for up to $250,000. If you also jointly own a money market account at ABC Bank with your spouse, that deposit is insured separately for up to $500,000. Furthermore, if you are the sole owner of another CD, but have no other deposits, at an entirely different bank, that amount is insured for up to $250,000 as well.

In addition, the FDIC provides insurance for certain types of "pass through" accounts. In these cases, insurance coverage is calculated based on the "beneficiary" of the proceeds. Included in this category are Payable-on-Death Accounts, certain trust accounts, employee benefit accounts, and escrow accounts if specified records are kept.

Yet another innovative program for maximizing insurance coverage is the Certificate of Deposit Accounts Registration System (CDARS), available only at participating banks and savings associations. CDARS permits a depositor with substantial assets to deal with only one institution, but have certificates of deposit purchased at a number of institutions while enjoying insurance coverage of up to $50,000,000.

To assist customers with determining their insurance coverage, the FDIC has an Electronic Deposit Insurance Estimator (EDIE) available on its website at www2.fdic.gov/edie. The FDIC list of Frequently Asked Questions is at www.fdic.gov/edie/fdic_info.html.

OKLAHOMA CITY
TENTH FLOOR
TWO LEADERSHIP SQUARE
OKLAHOMA CITY, OK 73102-7103
(405) 235-9621 office • (405) 235-0439 fax

TULSA
500 ONEOK PLAZA
100 WEST 5TH STREET
TULSA, OK 74103
(918) 587-0000 office • (918) 599-9317 fax