The FDIC and Living Trusts - When You Have More Than Five Beneficiaries

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In a press release sent by the Federal Deposit Insurance Corporation (FDIC), as of September 26, 2008, new rules apply to deposit accounts held in revocable trusts or living trusts, as well as payable-on-death accounts. These new rules are an attempt to simplify FDIC guidelines and promote consumer and investor confidence in our nation's banking industry.

In short, where the FDIC once only insured beneficiaries of revocable trusts who qualified under FDIC guidelines (namely, the account owner's spouse, children, grandchildren, parents, or sibling), the new and interim rule applies to any beneficiary named in the trust, including distant relatives, friends and charities.

Additionally, the insured amount on accounts held in living trusts is based on the number of beneficiaries. Thus, under the new limits secured by the Emergency Economic Stabilization Act of 2008, each beneficiary of the trust is insured for up to $250,000-as long as there are five or fewer beneficiaries named in the trust.

If there are more than five beneficiaries named in the trust, the FDIC's new and temporary insurance limits are as follows:

- Revocable trust account owners who have more than $1,250,000 in a trust-owned account, and have named more than five beneficiaries are covered by the FDIC at the greater amount of either $1,250,000 or the sum of all the beneficiaries' interest in the trust (limited to $250,000 per beneficiary).

- If the sum of the revocable trust account is less than $1,250,000 and there are more than five beneficiaries, each beneficiary is covered up to $250,000 per beneficiary, and according to each beneficiary's stake in the trust.

Estate planning techniques constantly change to keep pace with changes in the law, and new legislation has made it even more appealing for people to set up revocable trusts or living trusts for their loved ones.

In situations such as the current economic downturn, having accounts owned by revocable trusts held in FDIC insured banks adds an extra level of security to your savings. You can rest assured knowing that your named beneficiaries will receive their inheritance even in the event of a bank collapse.

That kind of reassurance is worth every penny spent on a quality estate plan drafted by an experienced and specialized attorney. The government is making it safer for anyone wishing to further their estate planning goals to take full advantage of all the benefits a living trust can offer.

Whether your estate planning goals are immediate or long-term, a qualified California estate planning attorney will be able to counsel you on the best options available to you to meet your individual needs.