Instructions for Using This Guide

The FDIC receives thousands of questions each year about FDIC insurance coverage of bank deposits held in revocable and irrevocable trusts. These questions are most commonly asked by bank personnel, trustees, depositors, attorneys and accountants. The *FDIC Guide to Calculating Deposit Insurance Coverage for Revocable and Irrevocable Trusts* (Guide) has been developed to assist in answering the most common question asked: *What is the maximum amount of deposit insurance coverage available at a single FDIC-insured institution, using a specific trust agreement?*

This Guide describes coverage for both informal and formal trusts, with special emphasis on the process for calculating deposit insurance coverage for formal revocable trusts. While the creation of irrevocable trusts is less common than formal revocable trusts, the process for calculating deposit insurance coverage for irrevocable trusts also is described.

The Guide is organized into chapters, as follows:

Chapter 1 – Introduction to FDIC Deposit Insurance Coverage: Describes the fundamental concepts of FDIC deposit insurance coverage, including how FDIC deposit insurance works and the different account ownership categories that qualify for separate insurance coverage under FDIC rules. The FDIC strongly recommends reviewing this chapter before proceeding to the subsequent chapters.

Chapter 2 – Overview of Revocable Trusts: Discusses the differences between informal and formal revocable trust accounts.

Chapter 3 – Informal Revocable Trusts: Describes the requirements for establishing a revocable trust deposit that is eligible for FDIC insurance coverage without a formal revocable trust document. Provides a definition of an informal revocable trust, a methodology for calculating the amount of deposit insurance coverage for informal revocable trusts, and specific examples applying this methodology.

Chapter 4 – Formal Revocable Trusts: Describes the requirements for FDIC deposit insurance coverage based upon a formal, written revocable trust document (usually created with the assistance of a legal professional). Describes a methodology for calculating coverage for bank deposits held by formal revocable trusts. While the requirements for FDIC coverage of informal and formal revocable trusts are similar, there are significant differences with respect to determining deposit insurance coverage.

Chapter 5 – Life Estate Beneficiaries: Describes the FDIC's rules for deposit insurance coverage of formal revocable trusts that provide life estate interests for one or more beneficiaries. Describes a methodology for determining deposit insurance coverage for formal revocable trusts with life estate beneficiaries.

Chapter 6 – Irrevocable Trusts: Describes the requirements for FDIC coverage of irrevocable trusts and explains how to calculate coverage for bank deposits held by irrevocable trusts.

Important Disclaimer

The information contained in this Guide is intended to assist users in determining FDIC insurance coverage for deposits held by revocable and irrevocable trusts. This guidance is based on the FDIC's deposit insurance rules and regulations, 12 C.F.R. Part § 330, and related advisory opinions in effect as of December 31, 2007.

The Guide is not intended to provide estate planning advice or guidance for the creation of trust agreements. For estate planning advice, the FDIC recommends that you consult with your financial advisor or a legal professional in your area.

The examples provided in this Guide are drawn from thousands of questions received by the FDIC. The examples are not intended to describe every situation that may arise in the determination of insurance coverage for deposits held by revocable or irrevocable trusts.

Use caution when applying the examples in this Guide to determine FDIC coverage of a specific trust agreement. Although two trusts may appear to be similar, there may be subtle differences in terms and conditions that could result in significantly different insurance calculations. In addition, the modification of a trust agreement at a future date may affect the calculation of the deposit insurance coverage made today. The death of an owner or beneficiary also may significantly affect FDIC deposit insurance coverage.

Also, note that certain examples or terminology used in this Guide may not be applicable to an individual's trust because of regulatory or statutory provisions in the state in which the depositor resides.

The Guide should be used in conjunction with the FDIC deposit insurance reference materials found at the FDIC web page www.fdic.gov/deposit/deposits. For help from an FDIC deposit insurance specialist, call the FDIC toll free at 1-877-ASK-FDIC (1-877-275-3342).