SPECIAL BULLETIN

FDIC Consumer News

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What You Should Know About Higher FDIC Coverage for Retirement Accounts

A look at what's changed with deposit insurance, what hasn't, and how to get more information

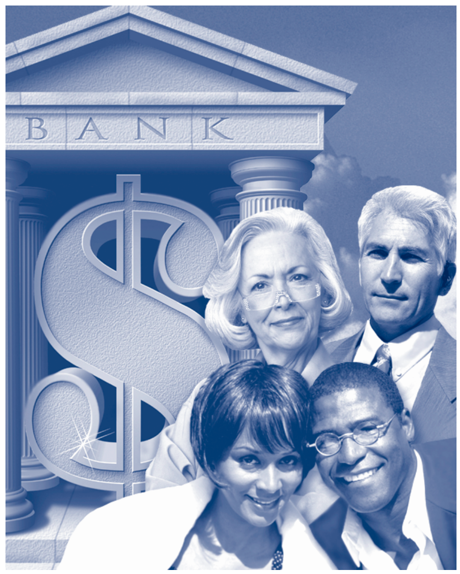
Americans work hard and save money in hopes of having a comfortable retirement. But as people live longer and spend more years in retirement than ever before, preparing financially can be complicated. Here's good news that may help families saving for their retirement.

For the first time in more than 25 years, Congress has raised the limit on federal deposit insurance coverage, which protects against loss if a banking institution fails. However, the higher insurance limit only applies to certain kinds of retirement accounts that people may have at banks and savings associations insured by the Federal Deposit Insurance Corporation (FDIC) and at credit unions insured by the National Credit Union Administration (NCUA).

The FDIC wants you to be clear about what has changed…and what hasn't. Here is an introduction to what you need to know about your FDIC insurance coverage.

1. Certain retirement accounts at FDIC-insured banks and savings institutions will be insured up to $250,000, up from $100,000 previously.

The higher insurance coverage applies to traditional and Roth IRAs (Individual Retirement Accounts), Simplified Employee Pension (SEP) IRAs, and Savings Incentive Match Plans for Employees (SIMPLE) IRAs. Also included are self-directed Keogh accounts, "457 Plan" accounts for state government employees, and employer-sponsored "defined contribution plan"



accounts that are self-directed, which are primarily 401(k) accounts and include SIMPLE 401(k) accounts. In general, self-directed means that the consumer chooses how and where the money is deposited.

Under the FDIC's new rules, which took effect on April 1, 2006, all of your deposits at the same insured bank that are in this broad category of retirement accounts are added together and the total is insured *up to $250,000*. Your retirement accounts also are separately insured from any other deposits you may have at the same institution.

This increase to $250,000 for retirement accounts is important because many people saving money for their retirement have accumulated well in excess of $100,000. With the higher FDIC coverage, more Americans who rely on banking institutions for safety and easy access will know that more of their money for retirement will be completely protected if their banking institution were to fail. There's also the added convenience for people who, previously, might have gone to more than one institution to get full coverage of retirement deposits of more than $100,000.

2. The basic insurance coverage for other deposit accounts is still $100,000. However, as before, there are ways to qualify for far more than the basic coverage at one insured institution.

For example, the funds you have in checking and savings accounts (not retirement accounts) in your name alone are insured up to $100,000. Also, your portion of accounts held jointly with other people is also separately insured up to $100,000. Likewise, two other categories of accounts — business accounts you have at that bank and your share of employer-sponsored pension or profit-sharing plans — each qualify for separate insurance coverage of $100,000.

Let's say you have four deposit accounts at one institution — a checking account in your name alone (totaling $25,000), a savings account you own jointly with your spouse (your share equals $40,000), an account for a corporation you own (totaling $90,000), and your portion of an employer-sponsored profit-sharing account ($30,000). Even though the four accounts add up to $185,000, all of the money is fully insured by the FDIC because each account is in a different ownership category that is separately protected to $100,000.

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In addition, trust accounts may qualify for separate insurance coverage of $100,000 per beneficiary (not per depositor) if certain conditions are met. That means you could have a $200,000 trust account naming your spouse and a child as the beneficiaries upon your death and all $200,000 would be insured by the FDIC ($100,000 for each beneficiary), separately from the money you have in other types of accounts at the same institution.

And remember, your retirement accounts that will be protected under the new rules to $250,000 are insured separately from your other accounts.

As you can see, the way different types of accounts are separately insured can add up to a lot of coverage for you and your family from the FDIC. This can be confusing, so to learn more contact the FDIC as listed below.

3. The insurance limits could rise in the future, but not until 2011, if at all.

The new law establishes a method for considering an increase in the insurance limits on all deposit accounts (including retirement accounts) every five years starting in 2011 and based, in part, on inflation. Otherwise, your accounts will continue to be insured just as we've described them.

That's an overview of what the new law means to you and your FDIC insurance. But here are some important reminders:

• **No depositor has lost a single cent of FDIC-insured funds as a result of a failure.** Fortunately, failures are rare nowadays. But if your bank or savings association were to fail, FDIC insurance would cover your deposit accounts, dollar for dollar, including principal and accrued interest, up to the insurance limit.

• **FDIC insurance only applies to deposits, not investments.** The FDIC protects checking accounts, savings accounts, CDs (special accounts you'd typically hold for anywhere from one month to five years) and other types of deposits. The FDIC does NOT insure the money you invest in products such as mutual funds, stocks, bonds, life insurance policies and annuities — even if you purchased them from an FDIC-insured institution.

• **If you or your family have $100,000 or less in all of your deposit accounts at the same insured institution, you don't need to worry about your insurance coverage.** Your funds are fully insured. If you have more than $100,000 on deposit at any one institution, you should take the time to be sure they're fully insured.

For more help or information from the FDIC…

Start by going to the FDIC Web site at www.fdic.gov to find consumer resources, including the brochure *Insuring Your Deposits* and the Electronic Deposit Insurance Estimator (EDIE), an interactive tool allowing you to get a summary of your FDIC coverage. Or, call toll-free 1-877-ASK-FDIC (1-877-275-3342) Monday through Friday 8:00 a.m. to 8:00 p.m., Eastern Time. For the hearing-impaired, call 1-800-925-4618.

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