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ARE MY ACCOUNTS REALLY PROTECTED BY THE FDIC?

The recent failure of several financial institutions has caused a great deal of uncertainty about the current stability of the market. As a result, some of the most common questions that are asked of us are in regards to the role of the Federal Deposit Insurance Corporation (FDIC). Specifically, our clients want to know the extent of the protection that the FDIC provides. In response, we would like to provide you with some basic information regarding the FDIC so that you may be better prepared in the unfortunate event that an institution where you have deposits is affected.

FDIC insurance covers deposit accounts such as checking and savings accounts, money market deposit accounts, and certificates of deposit. Individual accounts that qualify are insured up to \$100,000 and joint accounts are insured up to \$100,000 per owner as long as certain requirements are met. All co-owners must be people

and not legal entities, have equal rights to withdraw funds from the account, and must sign the deposit account signature card unless the account is a CD or is established by an agent, nominee, guardian, custodian, executor or conservator. Where these conditions are met, the full value of a joint account may be insured, even where the value of the account is greater than \$100,000.

All IRA's and Section 457 deferred compensation plans are insured up to \$250,000 per owner. Self-directed contribution plans such as 401(k) plans and Keogh Plan Accounts for self-employed individuals are insured up to \$250,000 per owner. Please note that FDIC insurance does not cover stocks, bonds, mutual funds, annuities or life insurance; even if those accounts are offered by FDIC insured banks.

Generally a revocable trust or Payable on Death (POD) account is insured up to \$100,000 **for each beneficiary** as long as certain requirements are met. First, the account title must include a commonly accepted term such as "payable-on-

death” for POD accounts and language such as “in trust for”, “as trustee for” “Living Trust”, or “Family Trust” for revocable trust accounts to indicate the existence of a trust relationship. In the case of POD accounts, the beneficiaries must be identified by name in the deposit account records of the insured bank. In the case of a revocable trust, beneficiaries must be entitled to receive a distribution of trust assets when the last trust owner dies. Lastly, the beneficiaries of a POD account or revocable trust must be “qualifying”, limited to a spouse, child, grandchild, parent, or sibling. Adopted and stepchildren, grandchildren, parents, and siblings also qualify. All other beneficiaries, including in-laws, cousins, nieces and nephews, friends, organizations (including charities) and trusts do not qualify. Owners of a trust are not considered beneficiaries for purposes of calculating FDIC coverage.

Please note that those issues addressed in this letter are based on the most commonly encountered questions regarding FDIC insured deposits. Other options exist to maximize the benefits of FDIC protection. If you have any questions or concerns regarding FDIC protection or any other issue regarding your estate plan, please do not hesitate to contact us at (937)461-5980 or email us at info@mfhslaw.com and one of our attorneys will be glad to assist you.

WOULD YOU PREFER TO RECEIVE FUTURE UPDATES BY EMAIL?

If you would like to receive updates such as this one in the future by email, please let us know by sending your email address to us at info@mfhslaw.com.

WHAT TOPICS WOULD YOU LIKE TO LEARN MORE ABOUT?

If there are topics that you would like us to address in future updates, please let us know by either emailing the topics of interest to us at info@mfhslaw.com or calling Devin at (937)461-5980 who will make sure that the information is passed on to the appropriate individual.

The contents of this newsletter have been prepared for educational and information purposes only. It should not be considered in place of the advice of an attorney on your specific situation.