

The CS Advisory Group

the plan: action alert



The Low Down on FDIC Insurance

After last month's failure of California-based IndyMac Bank, many people have wondered how safe their accounts really are. While the Federal Deposit Insurance Corp. (FDIC) guarantees most bank deposits, here are some important details to remember.

What types of accounts are covered?

The FDIC protects checking and savings accounts, certificates of deposits (CDs), Christmas club accounts, and money-market savings accounts. However, Stocks, Bonds, and mutual fund shares...even those purchased through an FDIC bank...are not protected.

What are the limits of FDIC insurance?

Bank accounts that have less than \$100,000 in them and certain retirement accounts (IRAs held in CDs and money market accounts) that have less than \$250,000 are fully protected by the FDIC even if the bank fails. If you want to exceed these account limits, you can keep your deposits fully protected by:

1. Dividing your money among several different bank companies. Note that dividing your money among several different branches of the same bank does not guarantee full protection.
2. If you prefer to keep your money in the same bank company, you can still be fully protected if you divide your money among various "ownership categories". Ownership categories include a personal account in your name, a personal

About Tracy Cavanaugh

Tracy has over a decade of experience in the mortgage banking industry. She established the Advisory division of AFFG with offices in both east and west coasts.

Tracy has earned the designations of both Certified Mortgage Planning Specialist (CMPS) and Certified Mortgage Planner (CMP) and holds a New Jersey Mortgage Banking License for both first and second mortgages and is a licensed California lender. She is a member in good standing with the Financial Planning Association and Certified Mortgage Planning Specialist Institute.

account in your spouse's name, a joint account co-owned by you and someone else, and a trust account that names someone other than you as a beneficiary.

What are some common ways customers end up with uncovered deposits?

If you purchase a CD through an investment broker, this CD will often be placed with a bank at which you already have an account. If the CD and your other accounts exceed the \$100,000 limit, you may not be fully protected. Before purchasing CD's through a broker, ask where they will be placed.

In addition, keep track of the interest your accounts earn so you don't exceed the limits this way.

What will happen if your bank fails?

In most cases, depositors can fully access their funds by the next business day. Typically, failed banks are closed on Fridays, and funds are available by the following Monday. People can also usually use their ATM cards and write checks over that weekend as well. And for customers whose accounts exceeded the FDIC limit, all hope is not lost. Though this amount has varied, they can generally expect to recover 70 cents on the dollar of their uncovered funds after the bank's assets are sold.

The good news is that the vast majority of US banks are secure, but the above information will help you stay fully protected.

For more information, visit www.fdic.gov or call Marti Sheredy VP of Client Services at (818) 762-0844 or email MartiSheredy@TracyCavanaugh.com.

Warm Regards,
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