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FDIC Boosts Insurance Limit to \$250,000, Including Trusts

The recently passed Emergency Economic Stabilization Act of 2008 (aka "the bailout bill") temporarily raises the basic limit on federal deposit insurance coverage (FDIC) from \$100,000 to \$250,000 per depositor. The legislation provides that the basic deposit insurance limit will return to \$100,000 after December 31, 2009.

The rise in insurance coverage applies to regular bank accounts, but also to trust accounts as well. The owner of a revocable trust is insured up to \$250,000 for each beneficiary, provided certain requirements are met and there are no more than five beneficiaries. The temporary coverage increase, coupled with an [earlier FDIC interim rule](#) simplifying the rules for determining the coverage available on revocable trust accounts means that the opportunities for increased insurance coverage of revocable trusts -- both informal "pay-on-death" or formal "living trusts" -- are sizeable, at least in the short term.

The basic rule is that FDIC insurance covers a depositor with up to \$250,000 in a bank. If two or more people own deposit accounts with equal rights of access, they are each deemed to own one-half of the account. Each person's share of a jointly owned account is insured up to \$250,000. Thus, if John and Mary have a \$520,000 jointly owned certificate of deposit at an insured bank, then the couple are insured up to \$500,000. The uninsured amount would be \$20,000.

Recently, the FDIC adopted new rules for what it calls "Revocable Trust Accounts." These accounts are either "Payable on Death/POD" or held "In Trust For/ITF" accounts, or Revocable Trusts created for estate planning purposes (such as "living trusts," "family trusts," or similarly titled accounts). Funds in these accounts are insured to a greater degree. The FDIC looks at the number of beneficiaries (people who will receive the money upon the depositor's death) to determine the number of units of insurance that are applicable. Thus, while the depositor is the insured party, coverage is provided for the interests of each named beneficiary. Generally, the FDIC insures the interests of each beneficiary up to \$250,000 for each eligible owner, so long as the account title indicates the existence of a trust relationship, and, for POD accounts, each beneficiary is specifically named. Thus if Bill has a \$250,000 POD (or revocable trust) account with his wife Sue as beneficiary, Sue has a \$250,000 POD (or revocable trust) account with Bill as the account beneficiary, and Bill and Sue jointly have a \$1.5 million POD (or revocable trust) account with all three children as joint beneficiaries, the entire \$2 million is insured.

Moreover, an account owner with up to five beneficiaries named in all revocable trust accounts at one FDIC institution will be insured up to \$1,250,000. More than five different

beneficiaries named will be insured for the greater of \$1,250,000 or the total amount of all of the beneficiaries' interests, limited to \$250,000 per beneficiary.

As experienced elder law attorneys, we can help you determine whether your bank and trust accounts are adequately insured or tell you whether your situation merits setting up a trust. Bear in mind that while we may recommend a living trust as an estate planning device for our clients where it is appropriate for their particular needs, there are salespeople masquerading as professional estate planners who try to convince older persons that such trusts are for everyone. Living trusts are not for everyone. For more on this, contact us for a consultation.

For the FDIC's press release on the temporary increase in coverage, [click here](#).