

With all of the changes going on in our financial system, people understandably want to make sure that their money is protected. There are a number of safeguards for your money, but there are limits to the protection. This tool will give you a basic idea of what questions to ask, your current situation, and where to go for more information.

Bank, Savings and Loan, or Credit Union

The Federal Deposit Insurance Corporation (FDIC) insures deposits at banks and savings and loans. In addition, the FDIC will step in and act as the “receiver” (i.e., a temporary owner) of a bank should it fail. Usually the bank is quickly sold to another financial institution with no disruption of service. Note that FDIC insurance does not cover mutual funds, stocks or bonds, even if you purchased them at a bank.

The National Credit Union Administration (NCUA) regulates credit unions. All federal credit unions (98% of all credit unions are federal) and the majority of state-chartered credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF). You can find out if your credit union is federally insured by searching for “Is My Credit Union Federally Insured?” at www.ncua.gov. If not, it may be covered at the state level by private insurance—check with your credit union. If your money

is not insured, consider moving all of it to another financial institution.

Your total deposits in each bank where you have an account are covered by FDIC insurance up to:

Single Accounts (1 person)	\$250,000 per owner
Joint Accounts (2 or more people)	\$250,000 per co-owner
IRAs/certain other retirement accounts (1 person)	\$250,000 per owner

The limits for single and joint accounts have been raised from \$100,000 to \$250,000 at least until December 31, 2009.

To find out if your money is insured, fill out the table below for each bank where you have accounts:

Does your single account total exceed \$250,000?

No ____ Yes ____ By how much? _____

Bank, S&L, Credit Union	Single Account (\$250,000 limit)	Joint Account (\$250,000 limit per co-owner; \$500,000 per couple)	IRA Account (\$250,000 limit)
Checking			
Saving			
Money Market Account			
Certificate of Deposit (CD)			
Total			

Does your share of the joint account total exceed \$250,000?

No ____ Yes ____ By how much? _____

Does your IRA total exceed \$250,000?

No ____ Yes ____ By how much? _____

If your total in any account exceeds the limit, consider moving at least that extra amount to another financial institution.

Example: Let's say that you have \$300,000.

In scenario 1, you have \$300,000 in an IRA at Bank A. You should move at least \$60,000 to another bank that is FDIC insured and preferably not on the FDIC danger list. This will leave \$240,000 in your Bank A account, which will be covered by the FDIC limit and also allow for a \$10,000 cushion for account growth. Your total amount is now covered because the coverage limits apply separately to each bank where you have accounts.

In scenario 2, you have \$200,000 in a money market account at Bank B and \$180,000 in a CD at Bank C. In this case, your money is protected because it is under the limit at each separate bank.

Be aware that a couple could have up to \$1,000,000 protected at the same institution by having a joint account (protected up to \$250,000 each) and two individual accounts (each protected up to \$250,000).

You can calculate your FDIC coverage on FDIC's website; click on "EDIE the estimator" or "Is My Account Fully Insured?" at www.fdic.gov.

You can also calculate your credit union insurance coverage by searching for "share insurance estimator" at www.ncua.gov. For more information or to register complaints, contact the NCUA consumer hotline at 1-800-755-1030 or email consumerassistance@ncua.gov.

Brokerage

There are safeguards for your money in brokerage firms. First, strong rules require brokerage firms to keep customer accounts separate from the firm's accounts, so your money should be safe even if the firm goes under. Second, accounts are insured up to certain limits by the Securities Investor Protection Corporation (SIPC).

Is my brokerage covered by SIPC?

Yes ____ No ____

Check for the words "Member SIPC" on the company's website or call SIPC at 202-371-8300. If your brokerage is not a member of SIPC, consider moving your money to another financial institution.

What does SIPC cover?

SIPC covers your account up to \$500,000 for cash and securities such as mutual funds, stocks and bonds. However, there is a maximum of \$100,000 for cash. The limits are the same for individual and joint accounts.

The coverage applies to firm failures, not market losses for your individual account. For example, if you have \$90,000 in a brokerage account and it loses \$40,000 in value due to stock market declines, that \$40,000 loss is not covered. If your brokerage fails, however, then you are covered up to \$50,000, the current value of your account. Some firms also provide additional private insurance on top of the SIPC coverage—check with your brokerage.

To find out if your money is insured, fill out the table below for each brokerage where you have accounts:

Does your cash exceed the \$100,000 limit? ____
By how much? _____

Brokerage	Balance
Cash	
Securities	
Total	

If yes, consider moving at least that extra amount to another financial institution.

Does your total, including cash, exceed the \$500,000 limit? ____ By how much?

If yes, consider moving at least that extra amount to another financial institution.

For more information on SIPC, go to www.sipc.org.

Insurance

The insurance industry is regulated by the states. Most states require insurance companies to participate in a state guaranty fund or association. State guaranty funds step in to pay claims in the event that an insurance company fails. A state may have one or more guaranty associations, with each association responsible for a certain type of insurance.

While there may be differences among states, most states set basic coverage guarantee limits of:

\$300,000 in life insurance death benefits

\$100,000 in cash surrender or withdrawal value for life insurance

\$100,000 in withdrawal and cash values for annuities

\$100,000 in health insurance policy benefits

\$300,000 in homeowners benefits

\$300,000 in auto insurance benefits

To find out if your insurance policy is protected by

the guaranty fund, fill out the table below and figure out if your policies are under the limits by calculating across each row:

For each type of policy, does your coverage exceed the limits? Yes ____ No ____

In addition to completing this table, check your state insurance limits through the following websites:

National Association of Insurance Commissioners, www.naic.org, and click on “States & Jurisdictions”

National Conference of Insurance Guaranty Funds, www.ncigf.org, and click on “State Guaranty Contacts” under “Public Resources”

National Organization of Life & Health Insurance Guaranty Associations, www.nolhga.com, and click on “State Associations”

If you have a policy above the limits, you are still protected up to the limits in your state. Also, think carefully before changing policies or breaking them up because you may incur large penalties—it may not be worth it.

If you have a policy and no claims pending, and your insurance company fails, shop around for a new policy.

If you are looking for new insurance coverage, check out key information including the financial data and complaints about a company at www.naic.org and search “Consumer Information Source.”

Insurance	Insurance Coverage Amount	General Limits	Insurance Coverage –Limit =
Life Insurance Death Benefits		\$300,000	
Life Insurance Cash Value		\$100,000	
Annuity Cash Value		\$100,000	
Health Insurance Benefits		\$100,000	
Homeowners Benefits		\$300,000	
Auto Insurance Benefits		\$300,000	

This and other tip sheets provide general financial information; it is not meant to substitute for, or to supersede, professional or legal advice.

© AARP 2008.

