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# Is Your Money Safe?

*Understanding FDIC and SIPC Insurance*

**SCOTTSDALE, Ariz. (October 1, 2008)…**With the recent upheaval in the financial markets, including the failure of IndyMac and other banks, more and more people are concerned about the safety of the money they have in financial institutions of all kinds. Understanding the insurance protections provided by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC) can be helpful in securing funds and peace of mind.

"The best defense in today's market is to arm yourself with information. Understanding the protections afforded by the FDIC and SIPC can help you make wise decisions about where to put your money for the maximum protection and growth," says Kim Bridges, a senior financial planner at Stoker Ostler Wealth Advisors. "With thoughtful allocation of assets that maximizes insurance on all accounts, most individuals can achieve full protection of their savings and investments."

Bridges breaks down the FDIC and SIPC:

**The FDIC**

**Who:** The FDIC preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least $100,000; by identifying, monitoring and addressing risks to the deposit insurance funds; and by limiting the effect on the economy and the financial system when a bank or thrift institution fails.

An independent agency of the federal government, the FDIC was created in 1933 in response to the thousands of bank failures that occurred in the 1920s and early 1930s. Since the start of FDIC insurance on January 1, 1934, no depositor has lost a single cent of insured funds as a result of a failure.

(While the FDIC insures deposits held in member banks, the National Credit Union Share Insurance Fund (NCUSIF)—an arm of the National Credit Union Administration—insures the share deposits of participating credit union members. NCUSIF coverage mirrors that of the FDIC. For more information on the NCUA, visit www.ncua.gov.)

**What:** The FDIC insures deposits in checking, NOW (Negotiable Order of Withdrawal account), savings, and money market deposit accounts (MMDAs) as well as time deposits (such as CDs) held in member banks. The basic insured amount is $100,000 per depositor per insured

account, with a $250,000 limit for certain retirement accounts. But these limits aren't as straightforward as they might sound, and it is possible to have far more than $350,000 insured at a single institution, if you do your homework.

For purposes of determining FDIC insurance coverage, accounts are categorized according to the manner in which they are titled. The different ownership categories for individuals include single accounts, joint accounts, certain retirement accounts, revocable trust accounts, and irrevocable trust accounts (additional categories apply to business entities).

- **All single accounts**—meaning accounts with a single owner—including checking, savings, CD, and MMDAs are added together and covered up to a total of $100,000. This includes any business accounts held by a sole proprietor. Sometimes individuals (particularly seniors) give a trusted family member the right to withdraw from the account on the owner's behalf for the purpose of convenience. In such cases, the account is still considered a single account as long as there is only one individual named on the account title.
- **Joint accounts** are insured up to $100,000 per owner for all joint accounts. For example if Mary has a joint account with her husband, Bob, and a joint account with her son, Bobby, her share of the two accounts would be added together when determining the amount of coverage. An account with three joint owners would be insured for up to $300,000 ($100,000 per owner).
- **Certain retirement accounts** are covered up to $250,000. Again, this is the total of all covered retirement accounts held by one institution and owned by the same individual, including all types of IRAs (Traditional, Roth, SEP and SIMPLE), section 457 plans, self-directed defined contribution plans (such as 401(k) accounts) and self-directed Keogh accounts. (Coverdell education savings, health savings, and medical savings accounts are not included in this ownership category and are not eligible for the higher coverage amount).
- **Revocable trust accounts** include the aggregate of both informal and formal trusts. Informal trusts include accounts with beneficiary designations and are commonly referred to as pay-on-death (POD) accounts, Totten Trusts, and "in trust for" (ITF) accounts. Formal trusts are formed by a legal trust document and designate trust beneficiaries. Deposits in trust accounts are payable to one or more beneficiaries upon the owner's death. Each trustor of a trust account is entitled to $100,000 insurance coverage for each qualifying beneficiary. For instance, if a husband and wife own a revocable trust account as co-trustors, with their three children as beneficiaries, FDIC insurance would cover up to $600,000 ($100,000 x 3 kids x 2 trustors).
- **Irrevocable trust accounts** are also insured up to $100,000 per beneficiary for all accounts established by the same trustor for the same beneficiary at the same bank. In this case the beneficiary does not have to be a qualifying beneficiary; however, strict conditions must be met for the trust to qualify. In the event that the trust fails to meet these conditions (and they often do), deposit insurance will be limited to $100,000 total, rather than $100,000 for each beneficiary.

For more information on FDIC insurance, download the brochure, *Your Insured Deposits*, from the FDIC website at http://www.fdic.gov/deposit/deposits/insured/index.html. To check whether a bank or savings association is insured by the FDIC, call toll-free at 1-877-275-3342, use "Bank Find" at www.fdic.gov/deposit/index or look for the FDIC official teller sign where deposits are received.

**The SICP**

**Who:** SIPC is an important part of the overall system of investor protection in the United States. While a number of federal, self-regulatory and state securities agencies deal with cases of investment fraud, SIPC's focus is both different and narrow, that is, *to restore funds to investors with assets in the hands of bankrupt and otherwise financially troubled brokerage firms*. In other words, SICP protects accounts held at brokerage firms that are not covered by FDIC insurance. The SIPC does not offer to investors the same blanket protection that the FDIC provides to bank depositors. SIPC does not bail out investors when the value of their stocks, bonds, and other investments falls. Nor does it cover individuals who are sold worthless stocks and other securities. Rather, SIPC helps individuals whose money, stocks and other securities are stolen by a broker or put at risk when a brokerage firm fails for other reasons.

**What:** Investments that are protected by the SIPC include cash and securities—such as stocks and bonds—held by a customer at a financially troubled brokerage firm. In the event of a failure of the brokerage firm, the terms of the SIPC would provide first, for the customers to get back all securities that are already registered in their name or are in the process of being registered. Next, the firm's remaining customer assets would be divided on a pro rata basis and shared in proportion to the size of claims. If there were insufficient funds to satisfy the claims, the reserve funds of the SIPC would be used to supplement the distribution –up to a ceiling of $500,000 per customer, including a maximum of $100,000 for cash claims.

Not all investments are covered by SIPC insurance. Among the investments that are ineligible for SIPC protections are commodities futures contracts, fixed annuity contracts, and currency, as well as investment contracts (such as limited partnerships) that are not registered with the U.S. Securities and Exchange Commission.

For more information on SIPC insurance, download the brochure, *How SIPC Protects You*, at http://www.sipc.org/how/brochure.cfm.

You may have an additional layer of insurance—known as excess SIPC coverage—on your investment accounts. This additional protection, provided by your brokerage firm, becomes available in the event that SIPC limits are exhausted. In addition, if you work with an investment management or financial planning firm, the firm should have errors and omissions insurance to cover any mistakes for which they are at fault. Keep in mind that all insurance on investment accounts is designed to provide protection from fraud or failure of the firm—it does not protect you from a loss of value of your investments.

For more information, visit www.StokerOstler.com.

**About Stoker Ostler Wealth Advisors**
Founded in 1997, Stoker Ostler Wealth Advisors, formerly Private Wealth Management, is a fee-only wealth management firm that specializes in managing investments and providing financial planning for private individuals and families, small-to-medium-sized institutions and nonprofit organizations with investment assets greater than $500,000. In addition, the firm provides reporting, periodic rebalancing and active tax management services for its clients.

Stoker Ostler currently manages over $700,000,000 in total assets. Additional areas of expertise include: retirement planning, 401(k)/IRA distribution and issues related to the death of a spouse, divorce, inheritance and stock options.

The firm's founders, Philip Stoker and Creg Ostler, have more than 50 years of combined experience in wealth management. Stoker Ostler is employee-owned, allowing the company to steer clear of conflicts of interest that can arise when wealth managers are aligned with a product-based financial service company. Stoker Ostler's independence, combined with the long-standing relationships cultivated with other financial professionals, allows the firm to provide successful, unbiased financial guidance, based solely on the needs and expectations of each client.

Stoker Ostler is headquartered in Scottsdale, Ariz. with an additional office in Utah. For more information, call (480) 890-8088 or visit www.StokerOstler.com.

* A Trustor is the person who creates and originally funds the Trust.

* A "qualifying beneficiary" is the trustor's spouse, child, grandchild, parent, or sibling. Adopted and step children, grandchildren, parents, and siblings also qualify.

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