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FDIC INFO

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## FDIC Info

[What is the FDIC?](#)

[How can I check whether my bank is insured by FDIC?](#)

[What types of accounts are eligible for FDIC insurance?](#)

[How can I keep my deposits within the FDIC insurance limits?](#)

[What are the basic FDIC coverage limits?](#)

[Is it possible to have more than \\$250,000 at one FDIC-insured bank and still be fully covered?](#)

[What is a single account?](#)

[What is a joint account?](#)

[What is meant by certain retirement accounts?](#)

[What is a revocable trust account?](#)

[More in-depth information on types of deposit accounts](#)

[Glossary of Terms](#)

### What Is the FDIC?

The FDIC (Federal Deposit Insurance Corporation) is an independent agency of the United States government that protects you against the loss of your deposits if an FDIC-insured bank or savings association fails. FDIC insurance is backed by the full faith and credit of the United States government. Since the FDIC's creation in 1933, no depositor has ever lost even one penny of FDIC-insured funds.

◀ [Back to top](#)

### How can I check whether my bank is insured by FDIC?

Before using EDIE, use Bank Find or call toll-free 1-877-ASK-FDIC to make sure your bank or savings association is insured by the FDIC. The FDIC insures deposits in most, but not all, banks and savings associations. Deposits in separate branches of an insured bank are not separately insured. Deposits in one insured bank are insured separately from deposits in another insured bank. All insured institutions must display an official FDIC sign at each teller window or teller station.

◀ [Back to top](#)

### What types of accounts are eligible for FDIC insurance?

FDIC insurance covers all deposit accounts at insured banks and savings associations, including checking, NOW, and savings accounts, money market deposit accounts and certificates of deposit (CDs) up to the insurance limit.

The FDIC does not insure the money you invest in stocks, bonds, mutual funds, life insurance policies, annuities or municipal securities, even if you purchased these products from an insured bank or savings association.

[↶ Back to top](#)

### **How can I keep my deposits within FDIC insurance limits?**

If you and your family have \$250,000 or less in all of your deposit accounts at the same insured bank or savings association, you do not need to worry about your insurance coverage — your deposits are fully insured. A depositor can have more than \$250,000 at one insured bank or savings association and still be fully insured provided the accounts meet certain requirements. In addition, federal law provides for insurance coverage of up to \$250,000 for certain retirement accounts.

[↶ Back to top](#)

### **What are the basic FDIC coverage limits?\***

Single Accounts (owned by one person): \$250,000 per owner

Joint Accounts (two or more persons): \$250,000 per co-owner

IRAs and other certain retirement accounts: \$250,000 per owner

Revocable trust accounts: Each owner is insured up to \$250,000 for the interests of each beneficiary, subject to specific limitations and requirements

*\*These deposit insurance coverage limits refer to the total of all deposits that account holders have at each FDIC-insured bank. The listing above shows only the most common ownership categories that apply to individual and family deposits, and assumes that all FDIC requirements are met.*

[↶ Back to top](#)

### **Is it possible to have more than \$250,000 at one insured bank and still be fully covered?**

You may qualify for more than \$250,000 in coverage at one insured bank or savings association if you own deposit accounts in different ownership categories. The most common account ownership categories for individual and family deposits are single accounts, joint accounts, revocable trust accounts and certain retirement accounts.

[↶ Back to top](#)

### **What is a single account?**

This is a deposit account owned by one person and titled in that person's name only, with no beneficiaries. All of your single accounts at the same insured bank are added together and the total is insured up to \$250,000. For example, if you have a checking account and a CD at the same insured bank, and both accounts are in your name only, the two accounts are added together and the total is insured up to \$250,000. Note that retirement accounts and eligible trust accounts are not included in this ownership category.

[↶ Back to top](#)

### **What is a joint account?**

This is a deposit account owned by two or more people and titled jointly in the co-owners' names only, with no beneficiaries. If all co-owners have equal rights to withdraw money from a joint account, a co-owner's shares of all

joint accounts at the same insured bank are added together and the total is insured up to \$250,000. Note that jointly owned revocable trust accounts are not included in this ownership category.

If a couple has a joint checking account and a joint savings account at the same insured bank, each co-owner's shares of the two accounts are added together and insured up to \$250,000 per owner, providing up to \$500,000 in coverage for the couple's joint accounts.

*Example:* John and Mary have three joint accounts totaling \$600,000 at an insured bank. Under FDIC rules, each co-owner's share of each joint account is considered equal unless otherwise stated in the bank's records. John and Mary each own \$300,000 in the joint account category, putting a total of \$100,000 (\$50,000 for each) over the insurance limit.

**Joint Account Example**

Account Title	Type of Deposit	Account Balance
Mary and John Smith	Checking	\$50,000
John or Mary Smith	Savings	\$150,000
Mary Smith or John Smith	CD	\$400,000
<b>Total Deposits</b>		<b>\$600,000</b>

**Insurance coverage for each owner is calculated as follows:**

Account Holders	Ownership Share	Amount Insured	Amount Uninsured
John	\$300,000	\$250,000	\$50,000
Mary	\$300,000	\$250,000	\$50,000
<b>Total</b>	<b>\$600,000</b>	<b>\$500,000</b>	<b>\$100,000</b>

- Mary's ownership share in all joint accounts equals \$300,000 [1/2 of the checking account (\$25,000), 1/2 of the savings account (\$75,000), and 1/2 of the CD (\$200,000), for a total of \$300,000]. Since her coverage in the joint ownership category is limited to \$250,000, \$50,000 is uninsured.
- John's ownership share in all joint accounts is the same as Mary's, so \$50,000 is uninsured.

[Back to top](#)

**What is meant by certain retirement accounts?**

These are deposit accounts owned by one person and titled in the name of that person's retirement plan. Only the following types of retirement plans are insured in this ownership category:

- Individual Retirement Accounts (IRAs) including traditional IRAs, Roth IRAs, Simplified Employee Pension (SEP) IRAs, and Savings Incentive Match Plans for Employees (SIMPLE) IRAs
- Section 457 deferred compensation plan accounts (whether self-directed or not)
- Self-directed defined contribution plan accounts
- Self-directed Keogh plan (or H.R. 10 plan) accounts

All deposits that an individual has in any of the types of retirement plans listed above at the same insured bank are added together and the total is insured up to \$250,000. For example, if an individual has an IRA and a self-directed Keogh account at the same bank, the deposits in both accounts would be added together and insured up to \$250,000.

*Note:* Naming beneficiaries on a retirement account does not increase deposit insurance coverage.

[Back to top](#)

## What is a revocable trust account?

This is a deposit account held as a payable on death (POD) or in trust for (ITF) account or that is established in the name of a formal revocable trust (also known as a living or family trust account).

POD and ITF accounts — also known as testamentary or Totten Trust accounts — are the most common form of revocable trust deposits. These informal revocable trusts are created when the account owner signs an agreement — usually part of the bank's signature card — stating that the deposits will be payable to one or more beneficiaries upon the owner's death.

Living trusts — or family trusts — are formal revocable trusts created for estate planning purposes. The owner of a living trust controls the deposits in the trust during his or her lifetime. The trust document sets forth who shall receive trust assets after the death of the owner.

Deposit insurance coverage for revocable trust accounts is provided to the owner of the trust. However, the amount of coverage is based on the number of beneficiaries named in the trust and, in some cases, the interests allocated to those beneficiaries, up to the insurance limit. A trust beneficiary can be an individual (regardless of the relationship to the owner), a charity or another non-profit organization (as defined by the IRS).

Revocable trust coverage is based on all revocable trust deposits held by the same owner at the same bank, whether formal or informal. If a revocable trust account has more than one owner, each owner's coverage is calculated separately, using the following rules:

- **Revocable Trust Deposits with Five or Fewer Beneficiaries** — Each owner's share of revocable trust deposits is insured up to \$250,000 for each beneficiary (i.e., \$250,000 times the number of different beneficiaries), regardless of actual interest provided to beneficiaries.
- **Revocable Trust Deposits with Six or More Beneficiaries** — Each owner's share of revocable trust deposits is insured for the greater of either (1) coverage based on each beneficiary's actual interest in the revocable trust deposits, with no beneficiary's interest to be insured for more than \$250,000, or (2) \$1,250,000.

*Note:* Determining coverage for living trust accounts that have six or more beneficiaries and provide different interests for the trust beneficiaries can be complicated. Contact the FDIC at 1-877-275-3342 if you need assistance in determining the insurance coverage of your revocable trust.

**POD Account Example:** *This example applies to POD accounts only. (Coverage may be different for some living trusts.)* Bill has a \$250,000 POD account with his wife Sue as beneficiary. Sue has a \$250,000 POD account with Bill as beneficiary. In addition, Bill and Sue jointly have a \$1,500,000 POD account with their three children as equal beneficiaries.

Account Title	Account Balance	Amount Insured	Amount Uninsured
Bill POD to Sue	\$250,000	\$250,000	\$0
Sue POD to Bill	\$250,000	\$250,000	\$0
Bill and Sue POD to 3 children	\$1,500,000	\$1,500,000	\$0
<b>Total</b>	<b>\$2,000,000</b>	<b>\$2,000,000</b>	<b>\$0</b>

These three accounts totaling \$2,000,000 are fully insured because each owner is entitled to \$250,000 of coverage for each beneficiary. Bill has \$1,000,000 of insurance coverage because he names four beneficiaries — his wife in the first account and his three children in the third account). Sue also has \$1,000,000 of insurance coverage

\$250,000 for each of her beneficiaries — her husband in the second account and her three children in the third account.

When calculating coverage for revocable trust accounts, *keep in mind that:*

- Coverage is based on the number of beneficiaries (and, if the account has six or more beneficiaries, the interests of the beneficiaries) named by each owner. Additional coverage is not provided for the trust owner(s). For example, if a father owns a \$750,000 POD account naming his two sons as beneficiaries, the account is insured for \$500,000 — \$250,000 for the interest of each beneficiary. The remaining \$250,000 is uninsured.
- FDIC insurance limits apply to all revocable trust deposits — including all POD/ITF and living trust accounts — that a trust owner has at one insured bank. In applying the \$250,000 per beneficiary insurance limit, the FDIC combines an owner's POD accounts with the living trust accounts that name the same beneficiaries at the same bank.

➔ [Back to top](#)

## More in-depth information on types of deposit accounts

- [Single Accounts](#)
- [Certain Retirement Accounts](#)
- [Joint Accounts](#)
- [Revocable Trust Accounts](#)
- [Irrevocable Trust Accounts](#)
- [Employee Benefit Plan Accounts](#)
- [Corporation, Partnership, and Unincorporated Association Accounts](#)
- [Government Accounts](#)

## Single Accounts

1. **What is a single account?**  
A single account is a deposit account owned by one person, with no beneficiaries. Such accounts include deposits titled in the owner's name alone, deposits established for the benefit of the owner by an agent, nominee, guardian, custodian or conservator, and deposits belonging to the owner of a sole proprietorship.
2. **How are single accounts insured?**  
All single accounts established by, or for the benefit of, the same person are added together. The total is insured up to a maximum of \$250,000, including principal and interest.

### Example of Insurance Coverage for Single Accounts

Depositor	Type of Deposit	Amount Deposited
Jane Smith	Savings account	\$25,000
Jane Smith	Certificate of Deposit	\$250,000
Jane Smith	NOW account	\$50,000
Jane Smith's sole proprietorship	Checking account	\$50,000
<b>Total Deposited</b>		<b>\$375,000</b>
<b>Insurance Available</b>		<b>\$250,000</b>
<b>Uninsured Amount</b>		<b>\$125,000</b>

3. **What is the Uniform Transfer to Minor Act and how are deposit accounts established under this law insured?**

The Uniform Transfer to Minor Act is a state law that allows an adult to make a gift to a minor. Funds given to a minor by this method are held in the name of a custodian for the minor's benefit. Funds deposited for the minor's benefit under the Act are added to any other single accounts of the minor, and the total is insured up to a maximum of \$250,000.

4. **How are sole proprietorship accounts insured?**

These are deposits owned by an unincorporated business, in contrast to a business that is incorporated or a partnership. Deposit accounts owned by a sole proprietor are insured as the single funds of the person who owns the business. So, if an individual has an account in his name alone and another account in the name of his sole proprietorship, the balances in those accounts would be combined and insured to a up to a maximum of \$250,000 in the single account category.

5. **How are decedent estate accounts insured?**

These are funds deposited by an executor or administrator for the estate of a deceased person. These accounts are insured up to \$250,000 as the single account funds of the deceased person. This coverage limit would include any other funds maintained in the name of the deceased individual. It is important to note that coverage is not provided on a per beneficiary basis. So, even though there might be multiple beneficiaries of the decedent's estate, the account established for the estate would not be insured for more than \$250,000. The funds are, however, insured separately from the personal funds of the executor or administrator.

[Back to the list of more in-depth information on types of deposit accounts](#)

## Certain Retirement Accounts

1. **What are certain retirement accounts?**

These are deposit accounts owned by one person and titled in the name of that person's:

- Individual Retirement Account including traditional IRA, Roth IRA, Simplified Employee Pension (SEP) IRA or Savings Incentive Match Plans for Employees (SIMPLE) IRA
- Section 457 deferred compensation plan account (such as eligible deferred compensation plans provided by state and local governments regardless of whether the plan is self-directed)
- Self-directed defined contribution plan account, such as a self-directed 401(k) plan, a self-directed SIMPLE plan held in the form of a 401(k) plan, a self-directed defined contribution money purchase plan, or a self-directed defined contribution profit-sharing plan
- Self-directed Keogh plan account (or H.R. 10 plan account) designed for self-employed individuals

2. **What is the definition of self-directed?**

The FDIC defines the term "self-directed" to mean that plan participants have the right to direct how the money is invested, including the ability to direct that the deposits be placed at an FDIC-insured bank.

If a participant of a retirement plan has the right to choose a particular depository institution's deposit accounts as an investment, the FDIC would consider the account to be self-directed. Also, if a plan has as its default investment option deposit accounts at a particular FDIC-insured institution, the FDIC would deem the plan to be self-directed for deposit insurance purposes because, by inaction, the participant has directed the placement of such deposits.

However, if a plan's only investment vehicle is the deposit accounts of a particular bank, so that participants have no choice of investments, the plan would not be deemed self-directed for deposit insurance purposes. Finally, if a plan consists only of a single employer/employee, and the employer establishes the plan with a single-investment option of plan assets, the plan would be considered self-directed for deposit insurance purposes.

3. **How are certain retirement accounts insured?**

Each person's deposits in certain retirement accounts at the same insured bank are added together and insured up to \$250,000. Naming beneficiaries to a self-directed retirement account does not increase insurance coverage.

4. **Are Roth IRAs treated the same as traditional IRAs?**

A Roth IRA is treated the same as a traditional IRA for deposit insurance purposes. So, if a depositor has both a Roth IRA and a traditional IRA at the same insured bank, the funds in both accounts are added together and insured up to \$250,000.

### Example of Insurance Coverage for Self-Directed Retirement Accounts

Account Title	Account Balance
Bob Johnson's Roth IRA	\$110,000
Bob Johnson's IRA	\$75,000
<b>Total</b>	<b>\$185,000</b>
<b>Amount Insured</b>	<b>\$185,000</b>

5. *Explanation:* Since Bob's total in all self-directed retirement accounts at the same bank is less than the \$250,000 limit, both IRAs are fully insured.

6. **How are Coverdell IRAs or Health Savings Accounts insured?**

Coverdell Education Savings Accounts (formerly known as an Education IRAs), Health Savings Accounts and Medical Savings Accounts are **not** included in the certain retirement ownership category. Depending on the structure, these accounts may be included in the single account or trust account ownership category. Also, accounts established under section 403(b) of the Internal Revenue Code (annuity contracts for certain employees of public schools, tax-exempt organizations and ministers) are **not** included in the certain retirement ownership category.

[Back to the list of more in-depth information on types of deposit accounts](#)

## Joint Accounts

1. **What is a joint account?**

A joint account is a deposit account owned by two or more individuals, with no beneficiaries. Federal deposit insurance covers joint accounts owned in any manner conforming to applicable state law, such as joint tenants with a right of survivorship, tenants by the entirety, and tenants in common.

2. **What are the requirements for joint accounts?**

Joint accounts are insured separately from other ownership categories if all of the following conditions are met:

- All co-owners must be natural persons. This means that legal entities such as corporations or partnerships are not eligible for joint account deposit insurance coverage.
- Each of the co-owners must have personally signed a deposit account signature card. The execution of an account signature card is not required for certificates of deposit, deposit obligations evidenced by a negotiable instrument or accounts maintained by an agent, nominee, guardian, custodian, or conservator, but the deposit must in fact be jointly owned.
- Each of the co-owners must have a right of withdrawal on the same basis as the other co-owners.

For example, if one co-owner can withdraw funds on his or her signature alone, but the other co-owner can withdraw funds only on the signature of both co-owners, then this requirement has not been satisfied; the co-owners do not have equal withdrawal rights. Likewise, if a co-owner's right to withdraw funds is limited to a specified dollar amount, the funds in the account will be allocated between the co-owners according to their withdrawal rights and insured as single account funds. For example, if \$250,000 is deposited in the names of A and B, but A has the right to withdraw only up to \$50,000 from the account, \$50,000 is allocated to A and the remainder (\$200,000) is allocated to B. The funds, as allocated, are then added to any other single account funds of A or B, respectively.

3. **How are joint accounts insured?**

An individual's (co-owner's) interests in all qualifying joint accounts are added together and the total is insured up to the \$250,000 maximum. Each co-owner's interest (or share) in a joint account is deemed equal. The balance of a joint account can exceed \$250,000, as long as no owner's share of joint accounts at the same bank exceeds \$250,000. The use of different Social Security numbers does not determine insurance coverage, nor does rearranging the owners' names, changing the style of the names, or using "or" rather than "and" to join the owners' names in a joint account title.

**Example of Insurance Coverage for Joint Accounts**

<b>Account Title</b>	<b>Owners</b>	<b>Balance</b>
#1	A and B	\$250,000
#2	B and A	\$120,000
#3	A and B and C	\$180,000
#4	A and D	\$80,000
<b>Total</b>		<b>\$630,000</b>

4.

Each owner's ownership interests in these four joint accounts follow:

**A's Ownership Interest**

1/2 of the balance in account #1	\$125,000
1/2 of the balance in account #2	\$60,000
1/3 of the balance in account #3	\$60,000
1/2 of the balance in account #4	\$40,000
<b>Total of A's Ownership Interest</b>	<b>\$285,000</b>

5.

A's ownership interest in the joint account category is \$285,000. This amount is more than the \$250,000 maximum, so \$250,000 is insured and \$35,000 is uninsured.

**B's Ownership Interest**

1/2 of the balance in account #1	\$125,000
1/2 of the balance in account #2	\$60,000
1/3 of the balance in account #3	\$60,000
<b>Total of B's Ownership Interest</b>	<b>\$245,000</b>

6.

B's ownership interest in the joint account category is \$245,000. That amount is less than the \$250,000 maximum, so B is fully insured.

**C's Ownership Interest**

1/3 of the balance in account #3	\$60,000
<b>Total of C's Ownership Interest</b>	<b>\$60,000</b>

7.

C's ownership interest in the joint account category is \$60,000. That amount is less than the \$250,000 maximum, so C is fully insured.

**D's Ownership Interest**

1/2 of the balance in account #4	\$40,000
<b>Total of D's Ownership Interest</b>	<b>\$40,000</b>

8.

D's ownership interest in the joint account category is \$40,000. That amount is less than the \$250,000 maximum, so D is fully insured.

#### Summary of Insurance Coverage for Joint Accounts

Owner	Account Balance	Insured	Uninsured
A	\$285,000	\$250,000	\$35,000
B	\$245,000	\$245,000	\$0
C	\$60,000	\$60,000	\$0
D	\$40,000	\$40,000	\$0
Total	\$630,000	\$595,000	\$35,000

[Back to the list of more in-depth information on types of deposit accounts](#)

### Revocable Trust Accounts

#### 1. What is a revocable trust account?

A revocable trust account is a deposit account that indicates an intention that the funds will belong to one or more beneficiaries upon the death of the owner (grantor/settlor/trustor). There are both informal and formal revocable trusts:

- Informal revocable trusts — often called payable on death (POD), Totten trust, or in trust for (ITF) accounts — are created when the account owner signs an agreement, usually part of the bank's signature card, stating that the funds are payable to one or more beneficiaries upon the owner's death.
- Formal revocable trusts — known as living or family trusts — are written trusts created for estate planning purposes. The owner (also known as a grantor, settlor or trustor) controls the funds in the trust during his or her lifetime and reserves the right to revoke the trust.

#### 2. How are revocable trust accounts insured?

Deposit insurance coverage for revocable trust accounts is provided to the owner of the trust. However, the amount of coverage is based on the number of beneficiaries named in the trust and, in some cases, the interests allocated to those beneficiaries, up to the insurance limit. A trust beneficiary can be an individual (regardless of the relationship to the owner), a charity or another non-profit organization (as defined by the IRS).

Revocable trust coverage is based on all revocable trust deposits held by the same owner at the same insured bank, whether formal or informal. If a revocable trust account has more than one owner, each owner's coverage is calculated separately, using the following rules:

- Revocable Trust Deposits with Five or Fewer Beneficiaries — Each owner's share of revocable trust deposits is insured up to \$250,000 for each beneficiary (i.e., \$250,000 times the number of different beneficiaries), regardless of the actual interests of the beneficiaries.
- Revocable Trust Deposits with Six or More Beneficiaries — Each owner's share of revocable trust deposits is insured for the greater of either (1) the coverage based on each beneficiary's actual interest in the revocable trust deposits, with no beneficiary's interest to be insured for more than \$250,000, or (2) \$1,250,000.

#### Example — POD Accounts with One Owner

Account Title	Account Balance	Amount Insured	Amount Uninsured
John Smith POD to son	\$250,000	\$250,000	\$0

**Explanation:** This revocable trust account is insured up to \$250,000 since there is one beneficiary who will receive the deposit when the owner dies.

3. **Can a revocable trust account have more than \$250,000 in insurance coverage?**

If a revocable trust account has more than one owner (e.g., husband and wife) or is held for more than one beneficiary, the insured balance of the account can exceed \$250,000 and still be fully insured. If there is more than one owner, the FDIC will assume that the owners' shares are equal unless the deposit account records state otherwise.

**Example — POD Accounts with Multiple Owners and Beneficiaries**

Account Title	Account Balance	Amount Insured	Amount Uninsured
Husband and Wife POD 3 children	\$1,500,000	\$1,500,000	\$0
Husband POD wife	\$250,000	\$250,000	\$0
Wife POD husband	\$250,000	\$250,000	\$0
Husband POD niece and nephew	\$500,000	\$500,000	\$0
Husband and wife POD grandchild	\$600,000	\$500,000	\$100,000
<b>Total</b>	<b>\$3,100,000</b>	<b>\$3,000,000</b>	<b>\$100,000</b>

4.

**Explanation:** All but one account is fully insured. The account naming the one grandchild is insured to \$500,000 because each owner is entitled to \$250,000 insurance coverage for the sole beneficiary.

**Living Trust Example:** A husband and wife have a living trust leaving all trust assets equally to their three children upon the death of the last owner. All deposits held in the name of this trust at one FDIC-insured bank would be covered up to \$1,500,000. Each owner is entitled to \$750,000 of insurance coverage because they each have three beneficiaries who will receive the trust deposits when both owners have died.

5. **What is the deposit insurance coverage of a revocable trust deposit when the beneficiaries do not have equal interests?**

If a revocable trust has five or fewer beneficiaries, then each owner's share of all trust deposits at one insured bank is covered up to \$250,000 times the number of beneficiaries, regardless of the actual proportional interests set forth in the trust document. For example:

- o *An individual has \$750,000 in revocable trust deposits at one FDIC-insured bank. The trust document specifies that 60% goes to one child, 30% goes to a second child, and 10% to a third child. The full balance of the trust is insured, because the owner receives coverage of \$250,000 per beneficiary, regardless of the actual interests set forth in the trust document.*

If a revocable trust has six or more beneficiaries, then each owner's share of revocable trust deposits is insured for the greater of either (1) the coverage based on each beneficiary's actual interest in the revocable trust deposits, with no beneficiary's interest to be insured for more than \$250,000, or (2) \$1,250,000. For example:

- o *An individual has \$1,400,000 in revocable trust deposits at one FDIC-insured bank. The trust document specifies that 50% of the funds will belong to the owner's son and 10% will belong to each of his five grandchildren. Coverage for this depositor's revocable trust funds is determined using the rule for a revocable trust account with six or more beneficiaries. Maximum coverage for this depositor's funds is the greater of (1) the coverage based on each beneficiary's actual interest in the revocable trust deposits, with no beneficiary's interest exceeding \$250,000, or (2) \$1,250,000. Applying this rule, the maximum coverage based on actual interests is \$500,000*

(\$250,000 divided by 50% (the son's share) = \$500,000). Since this is less than \$1,250,000, the trust owner's deposits would be insured up to \$1,250,000, and \$150,000 would be uninsured.

- *An individual has \$2.5 million in revocable trust deposits at one FDIC-insured bank. The trust document specifies that 10% of the funds will belong to each of her five children and 5% will belong to each of her 10 grandchildren. Maximum coverage for this depositor's funds is the greater of (1) the coverage based on each beneficiary's actual interest in the revocable trust deposits, with no beneficiary's interest to be insured for more than \$250,000, or (2) \$1,250,000. Applying this rule, the maximum coverage based on actual interests is \$2.5 million (\$250,000 divided by 10% (each child's share) = \$2,500,000). Since this amount is greater than \$1,250,000, the trust owner would be fully insured.*

**6. For a formal living (or family) trust, how is a beneficiary's life estate interest insured?**

Living trusts often give a beneficiary the right to receive income from the trust or to use trust assets during the beneficiary's lifetime (known as a life estate interest). When the beneficiary with the life estate interests dies, the remaining assets pass to other beneficiaries. A life estate interest is insured up to \$250,000, separate from the interests of the other remaining beneficiaries. For example:

- *A husband creates a living trust giving his wife a life estate interest in the trust assets, with the remaining assets to belong equally to the couple's two children upon both parent's death. Deposits held in the name of this trust would be insured up to \$750,000 (\$250,000 for each beneficiary — the wife and two children).*

**7. Are living trust accounts and POD accounts separately insured?**

The \$250,000 per beneficiary insurance limit applies to all revocable trust accounts — POD and living trust accounts — that an owner has at the same insured bank. For example:

- *A father has a POD account with a balance of \$400,000 naming his son and daughter as beneficiaries. He also has a living trust account with a balance of \$200,000 naming the same beneficiaries. The funds in both accounts would be added together and \$300,000 would be attributable as the beneficial interest of each child. Therefore, the two accounts together would be insured for \$500,000 (\$250,000 per beneficiary) and uninsured for \$100,000.*

◀ [Back to the list of more in-depth information on types of deposit accounts](#)

## Irrevocable Trust Accounts

**1. What is an irrevocable trust?**

Irrevocable trust accounts are deposit accounts held by a trust established by statute or a written trust agreement, in which the creator of the trust (grantor/settlor/trustor) contributes funds or property and gives up all power to cancel or change the trust.

There are two types of irrevocable trusts —

- Those created following the death of an owner of a revocable trust. The insurance coverage of these irrevocable trusts is the same as for revocable trusts, which is described above.
- Those that are created as an irrevocable (usually by a court order or established under a will) and are *not* derived from a revocable trust. The insurance coverage of these irrevocable trusts is described below.

**2. How are funds deposited pursuant to an irrevocable trust document insured?**

The interests of a beneficiary in all deposit accounts established by the same settlor and held at the same insured bank under an irrevocable trust are added together and insured up to \$250,000, provided all of the following requirements are met:

- The insured bank's deposit account records must disclose the existence of the trust relationship
- The beneficiaries and their interests in the trust must be identifiable from the deposit account records of the bank or from the records of the trustee
- The amount of each beneficiary's interest must not be "contingent" as that term is defined by FDIC regulations
- The trust must be valid under state law

Since the amount of insurance for an irrevocable trust depends upon specific terms and conditions of the trust, owners or trustees of an irrevocable trust may wish to consult with their legal or financial advisor for assistance in determining the amount of insurance coverage available to trust deposits.

3. **What is the insurance coverage if the grantor retains an interest in the trust?**  
If the grantor retains an interest in the trust, the amount of the retained interest would be added to any single accounts owned by the grantor at the same bank and the total insured up to \$250,000.
4. **What if the beneficiaries or their interests in an irrevocable trust cannot be ascertained?**  
When the ownership interests of the beneficiaries cannot be determined, insurance coverage for the entire trust is generally limited to a maximum of \$250,000.

➔ [Back to the list of more in-depth information on types of deposit accounts](#)

## Employee Benefit Plan Accounts

1. **What is the deposit insurance coverage for employee benefit plans, such as pension plans and profit-sharing plans?**  
The general rule is that deposits belonging to pension plans and profit-sharing plans receive pass-through insurance, meaning that each participant's non-contingent and ascertainable interest in a deposit—as opposed to the deposit as a whole—is insured up to \$250,000. In order for a pension or profit-sharing plan to receive pass-through insurance, the institution's deposit account records must specifically disclose the fact that the funds are owned by an employee benefit plan. In addition, the details of the participants' beneficial interests in the account must be ascertainable from the institution's deposit account records or from the records that the plan administrator (or some other person or entity that has agreed to maintain records for the plan) maintains in good faith and in the regular course of business.
2. **Is employee benefit plan coverage based on the number of plan participants?**  
Coverage for an employee benefit plan's deposits is based on each participant's share of the plan. Because plan participants normally have different interests in the plan, insurance coverage cannot be determined by simply multiplying the number of participants by \$250,000. To determine the maximum amount a plan can have on deposit in a single bank and remain fully insured, first determine which participant has the largest share of the plan assets, then divide \$250,000 by that percentage. For example, if a plan has 20 participants, but one participant has an 80% share of the plan assets, the most the plan can have on deposit in a single bank and still remain fully insured is \$312,500. ( $\$250,000 / .80 = \$312,500$ )

### Example — Employee Benefit Plan that Qualifies for Pass-Through Coverage

Account Title				Balance
Happy Pet Clinic Benefit Plan				\$700,000
Plan Participants	Plan Share	Share of Deposit	Amount Insured	Amount Uninsured
Dr. Todd	35%	\$245,000	\$245,000	\$0
Dr. Jones	30%	\$210,000	\$210,000	\$0
Tech Evans	20%	\$140,000	\$140,000	\$0
Tech Barnes	15%	\$105,000	\$105,000	\$0
<b>Plan Total</b>	<b>100%</b>	<b>\$700,000</b>	<b>\$700,000</b>	<b>\$0</b>

3.

**Explanation:** This employee benefit plan can deposit \$700,000 in an FDIC-insured bank and have all of its participants fully insured. The \$700,000 deposit results in Dr. Todd's interest (the largest participant) being insured for \$245,000 (35% of \$700,000). When Dr. Todd's interest is fully insured, the interests of the other participants are also fully insured, since they have smaller shares of the plan.

➔ [Back to the list of more in-depth information on types of deposit accounts](#)

## Corporation, Partnership, and Unincorporated Association Accounts

1. **What are corporations, partnerships and unincorporated association accounts?**  
These are accounts established by businesses and organizations — including for-profit and not-for-profit organizations — engaged in an independent activity, meaning that the entity is operated primarily for some purpose other than to increase insurance coverage.
2. **What are unincorporated associations?**  
Unincorporated associations typically include religious, community and civic organizations and social clubs that are not incorporated.
3. **What is the deposit insurance coverage for funds deposited by a corporation, partnership, or unincorporated association?**  
Funds deposited by a corporation, partnership, or unincorporated association are insured up to a maximum of \$250,000. Funds deposited by a corporation, partnership, or unincorporated association are insured separately from the personal accounts of the stockholders, partners or members. To qualify for this coverage, the entity must be engaged in an independent activity, meaning that the entity is operated primarily for some purpose other than to increase deposit insurance.
4. **Is there any way that a business can qualify for additional insurance coverage?**  
No, there is no way that a corporation, partnership or unincorporated association can qualify for more than \$250,000 in insurance coverage for its deposits at one bank. Separate accounts owned by the same entity, but designated for different purposes, are not separately insured. Instead, such accounts are added together and insured up to \$250,000. If a corporation has divisions or units that are not separately incorporated, the deposit accounts of those divisions or units will be added to any other deposit accounts of the corporation for purposes of determining deposit insurance coverage.
5. **Does the number of partners, members or account signatories increase deposit insurance coverage?**  
The number of partners, members or account signatories that a corporation, partnership, or unincorporated association has does not affect coverage. For example, deposits owned by a homeowners association are insured up to \$250,000 in total, not \$250,000 for each member of the association.
6. **How are deposits of a sole-proprietorship insured?**  
Deposits owned by a business that is a sole proprietorship are not insured under this category. Rather, they are insured as the single account deposits of the person who is the sole proprietor. So, funds deposited in the sole proprietorship's name are added to any other single accounts of the sole proprietor and the total is insured to a maximum of \$250,000.

◀ [Back to the list of more in-depth information on types of deposit accounts](#)

## Government Accounts

1. **What are government accounts?**  
Government accounts are also known as public unit accounts. This category includes deposit accounts of the United States, any state, county, municipality (or a political subdivision of any state, county, or municipality), the District of Columbia, Puerto Rico and other government possessions and territories, or an Indian tribe
2. **How are public unit accounts insured?**  
Insurance coverage of a public unit account differs from a corporation, partnership, or unincorporated association account in that the coverage extends to the official custodian of the funds belonging to the public unit rather than the public unit itself. The insurance coverage of public unit accounts depends upon (1) the type of deposit, and (2) the location of the insured depository institution. All time and savings deposits owned by a public unit and held by the same official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. Separately, all demand deposits owned by a public unit and held by the same official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. For the purpose of these rules, the term "savings deposits" includes NOW accounts, money market deposit accounts and other interest-bearing checking accounts.
3. **Does the insurance coverage differ if the public unit maintains funds in an out of state bank?**  
The insurance coverage of public unit accounts is different if the depository institution is located outside the State in which the public unit is located. In that case, all deposits owned by the public unit and held by the same official custodian are added together and insured up to \$250,000. Time and savings deposits are not insured separately from demand deposits.
4. **What is the definition of a political subdivision?**  
The term "political subdivision" is defined to include drainage, irrigation, navigation, improvement, levee,

sanitary, school or power districts, and bridge or port authorities and other special districts created by state statute or compacts between the states. The term "political subdivision" also includes any subdivision or principal department of a public unit (state, county, or municipality) if the subdivision or department meets the following tests:

- The creation of the subdivision or department has been expressly authorized by the law of such public unit;
- Some functions of government have been delegated to the subdivision or department by such law; and
- The subdivision or department is empowered to exercise exclusive control over funds for its exclusive use.

**5. What is the definition of an official custodian?**

An "official custodian" is an officer, employee or agent of a public unit having official custody of public funds and lawfully depositing the funds in an insured institution. In order to qualify as an official custodian, a person must have plenary authority — including control — over the funds. Control of public funds includes possession as well as the authority to establish accounts in insured depository institutions and to make deposits, withdrawals and disbursements.

➡ [Back to the list of more in-depth information on types of deposit accounts](#)

➡ [Back to top](#)

## **Glossary of Terms**

[Click here](#) for the glossary.

➡ [Back to top](#)