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Protecting Your Savings and Investments

In the wake of turbulence in the financial markets, it's worth reviewing the legal protections available for assets held by banks, credit unions, and securities dealers.

Bank/savings and loan deposit accounts

Generally, deposit accounts at banks and savings and loans insured by the Federal Deposit Insurance Corporation (FDIC) are insured up to $250,000 per depositor per bank. FDIC insurance covers checking, NOW, and savings accounts; money market deposit accounts; and time deposits, such as certificates of deposit (CDs). It does *not* cover mutual funds, stocks, bonds, life insurance policies, annuities, or other securities, even if they were bought through an FDIC-insured bank.

You can't increase your protection simply by opening more than one account in your name at the same bank (for example, splitting the money between a checking and a savings account, or opening accounts at different branches of the same bank). However, deposits that represent different categories of ownership may be independently insured. For example, a joint account qualifies for up to $250,000 of coverage for each person named as a joint owner. That coverage is in addition to the $250,000 maximum coverage for each person's aggregated single-owner accounts at that bank. For example, a married couple with three accounts at one bank--they each have $250,000 in an individual account, and they also have $200,000 in a joint account--would qualify for FDIC insurance on the entire $700,000.

The limit on the amount protected in one or more retirement accounts at one bank also is $250,000; this is separate from the $250,000 coverage of individual accounts. (Remember, however, that FDIC insurance applies only to deposit accounts, not to any securities held in an IRA or other retirement account.)

There also may be additional safety nets. In some states, a state-chartered savings bank is required to have additional insurance to cover any losses beyond the FDIC limits. Some banks also may participate in the Certificate of Deposit Account Registry Service (CDARS), which enables a bank to spread large CD deposits among multiple banks while keeping the amount at each individual bank within FDIC insurance limits. According to the FDIC, no depositor has ever lost a penny of funds that were covered by FDIC insurance. An online calculator at the FDIC's website, www.fdic.gov, can help you estimate the total FDIC coverage on your deposit accounts.

Understanding your money market fund

An investment in a money market mutual fund is not insured or guaranteed by the FDIC or any other government agency. Although the fund seeks to preserve the value of your investment at $1 per share, it is possible to lose money by investing in the fund. However, if a money market fund participates in the U.S. Treasury's temporary guarantee program, the Treasury guarantees its $1 per share value through September 18, 2009. The guarantee applies only to assets held in a fund as of the close of business September 19, 2008, or to shares held in the fund when a guarantee payment is made, whichever is less. You cannot acquire insurance for investments made after September 19, and closing or transferring an account would mean losing the guarantee for those assets. Before investing in a mutual fund, carefully consider its investment objectives, risks, charges, and expenses, which are contained in the prospectus available from the fund. Read the prospectus before investing.

Credit unions

Member share accounts at most credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF). It is administered by the National Credit Union Administration (NCUA), which like the FDIC is an independent agency of the federal government and is backed by the full faith and credit of the U.S. Treasury. (Some credit unions are not federally insured but are overseen by state regulators; they typically have private credit insurance.)

NCUSIF insurance is similar to FDIC insurance; it covers share accounts, share certificates, and share draft accounts but not investment products sold through a credit union. It covers single-owner accounts up to $250,000 per customer per institution. Retirement accounts such as IRAs and Keoghs have separate coverage up to $250,000. As with bank deposit accounts, independent coverage may be available for different categories of ownership. You can estimate your existing coverage by using the calculator at the NCUA website (www.ncua.gov).

Brokerage accounts and SIPC

Most brokerage accounts are covered by the Securities Investor Protection Corporation (SIPC). Unlike the FDIC, the SIPC is not a government agency but a nonprofit corporation funded by broker-dealers registered with the Securities and Exchange Commission. (A non-SIPC member must disclose that fact.)

SIPC was created by Congress in 1970 to help return customer property if a broker-dealer or clearing firm experiences insolvency, unauthorized trading, or securities that are lost or missing from a customer's account. Many brokerages also extend coverage beyond the SIPC limits with additional private insurance. If a member firm became insolvent, SIPC would typically either act as trustee or ask a court to appoint a trustee to supervise transfer of customer securities and cash. The SEC requires brokerages and clearing firms to segregate customer accounts from their proprietary assets and funds.

SIPC covers a maximum of $500,000 per individual account (including up to $100,000 in cash) at a given firm. As with banks, total coverage can be higher for multiple accounts at one institution. For example, a married couple could have two individual accounts with $500,000 worth of coverage each, plus a joint account that would bring their aggregated coverage for that firm to $1.5 million. Each of your retirement accounts at a firm also is generally eligible for another $500,000 of SIPC coverage (including up to $100,000 in cash).

SIPC doesn't protect against market risk or price fluctuations. If shares lose value before a trustee is appointed, that loss of value is not covered by SIPC. In general, SIPC covers notes, stocks, bonds, mutual funds, and other shares in investment companies. It does not cover investments that are not registered with the SEC, such as certain investment contracts, limited partnerships, fixed annuity contracts, currency, gold, silver, commodity futures contracts, or commodities options.

What's Covered Where

Insuring body	What's covered?	Limit for single-owner accounts	Limit for retirement accounts	Limit for joint accounts
FDIC (banks)	Checking/NOW/savings accounts Money market deposit accounts Time deposits (e.g., CDs)	$250,000 (includes all such accounts owned by the same person)	$250,000 (includes all retirement accounts owned by the same person)	$250,000 per joint owner (includes all joint accounts owned by the same person)
SIPC (brokers)	Investments registered with the SEC, and cash	$500,000, including up to $100,000 in cash	$500,000 per account, including up to $100,000 cash	$500,000 per account
NCUSIF (credit unions)	Regular share accounts, share draft accounts, share certificates	$250,000 (includes all such accounts owned by the same person)	$250,000 (includes all traditional and Roth IRAs; Keoghs covered separately up to $250,000)	$250,000 per joint owner (includes all joint accounts owned by the same person)

These are some of the most common insured accounts; additional categories of ownership, such as trusts, may offer additional protection and use category-specific ways of determining coverage limits. All limits apply to deposits at a single institution; if you have accounts at more than one insured institution, you qualify for coverage up to the full amount at each one. On January 1, 2010, the standard coverage limit will return to $100,000 for all deposit categories, except for IRAs and certain retirement accounts, which will continue to be insured up to $250,000 per owner.

Disclosure Information -- Important -- Please Review