The Basics of FDIC Insurance

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The recent collapses of Silicon Valley Bank and Signature Bank have rekindled concerns about the safety of deposits above the protections of the Federal Deposit Insurance Corporation (FDIC).

This article will provide some basics about FDIC insurance. For more information and resources, go to www.fdic.gov

It is also recommended that you periodically review your assets to determine which are covered by FDIC insurance and which are not. Your banker, investment advisor and/or accountant may also be helpful with this process.

What is the FDIC and Who does it Protect?

The FDIC is an independent agency of the U.S. Government that protects bank deposits against loss in the event an insured bank fails.

What Type of Accounts are Covered by FDIC Insurance?

FDIC insurance protects checking accounts, savings accounts, money market accounts and certificates of deposit.

Investment products that are not deposits, such as mutual funds, annuities, life insurance policies and stocks and bonds, are not covered by FDIC insurance.

How do I get FDIC Insurance?

Coverage is automatic whenever a deposit account is opened at an FDIC-insured bank.

To determine if a bank is FDIC-insured, you can ask a bank representative, look for an FDIC sign at your bank or you can use the FDIC's BankFind tool.

How much does the FDIC Insure?

The FDIC insures up to $250,000 per depositor, per bank, per ownership category.

An "ownership category" means the type of account in which a depositor holds their funds, including: individual accounts, joint accounts, certain retirement accounts, corporate accounts, government accounts, etc.

Example - If you own an individual checking account with $25,000 in it and an individual savings account with $275,000 in it, all at the same bank (totaling $300,000), $50,000 of the deposits in your single ownership accounts would not be covered by FDIC insurance.

Example - If you own an individual checking account with $25,000 in it, an individual savings account with $275,000 in it and you and your spouse together own a joint savings account with $500,000 in it, all at the same bank (totaling $800,000), your entire jointly owned account would be covered (i.e., you and your spouse would each have $250,000 in FDIC coverage), but $50,000 of the deposits in your single ownership accounts would not be covered.

What happens if a bank fails?

If a bank fails, the FDIC pays insurance to depositors up to the $250,000 limit. Historically, the FDIC pays within a few days of a bank closing.

As the receiver of the failed bank, the FDIC also assumes the task of selling/collecting assets and settling debts, including claims for deposits over $250,000. However, this can take several years and may only result in the depositor's receipt of a portion of their lost assets.