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New Rules for Purchases, Savings, Investments, And Business Incentives (2009-10) – Part II

In these extraordinary times, the economic landscape is changing dramatically. To help you journey through this landscape, we have authored a four-part series called "***New Rules for Purchases, Savings, Investments, and Business Incentives***," summarizing some of the more important developments and their likely impact. We hope you find these helpful.

We continue below with the second of the four-part series.

PART 2

2. New Rules for Savings.

Recent changes in the law have increased the protection that the federal government offers to savings, checking, and other deposit accounts. We offer suggestions on how to take advantage of those protections.

2.1 FDIC Insurance in General. Starting on October 4, 2008, savings, checking and other deposit accounts are generally insured up to $250,000 in banks or savings associations registered with the FDIC. However, the $250,000 limit returns to the standard $100,000 limit on January 1, 2014, except for IRAs and certain retirement accounts (such as Roths, IRAs, self-directed 401-K's, self-directed profit-sharing plans, and self-directed Keoghs), which will remain at $250,000. (See www.fdic.gov/edie/fdic_info.html)

TIP: ***Keep in mind that the higher FDIC insurance coverage will not protect longer term CDs after January 1, 2014.***

2.2 Multiplying FDIC Insurance with Multiple Accounts and Multiple Institutions. There are two simple ways you can increase the amount of your savings that are insured. First, to multiply FDIC insurance coverage, a depositor can simply spread deposits among several institutions. There are existing programs that facilitate just such a result, like CDARS (www.cdars.com), a national program, and Wintrust's Maxsafe accounts (www.wintrust.com/banking/retail-banking.html), a Chicago regional program. Second, a depositor can multiply the insured limits on accounts at a single institution by using different ownership categories, like joint accounts, revocable trusts, certain retirement accounts, and irrevocable trusts.

TIP: ***For example, the chart below shows the maximum FDIC insurance coverage in one typical family situation:***

Allen, personal	***$ 250,000***
Beth, personal	***$ 250,000***
Allen and Beth, joint	***$ 500,000***
Allen revocable trust for benefit of child, Carl, and child, Diane	***$ 500,000***
Beth revocable trust for benefit of Carl and Diane	***$ 500,000***
Allen IRA	***$ 250,000***
Beth IRA	***$ 250,000***
Allen's corporation	***$ 250,000***
TOTAL FDIC maximum coverage	***$2,750,000***

2.3 Unlimited FDIC Coverage for Non-Interest Bearing Accounts. Pursuant to the FDIC's temporary "Transaction Account Guarantee Program," all non-interest bearing accounts owned by individuals or businesses are fully insured, without any limit, until December 31, 2009, for those FDIC banks and savings associations that participate in the program.

TIP: ***sk your institution if they participate in the FDIC temporary "Transaction Account Guarantee Program." Keep in mind that the institution must pay for participation in this program, which may lower yields.***

2.4 U.S. Treasury's Guarantee of Money Market Funds. The U.S. Treasury guarantees that each investor will receive $1.00 for each money market share held as of close of business on September 19, 2008. Originally scheduled to expire on April 30, 2009, the Treasury has extended the program through September 18, 2009. Only those money market funds that participate in the program are afforded the Treasury's guarantee.

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TIP: ***Ask your money market fund if they participate in the temporary Money Market Funds Guarantee Program of the U.S. Treasury (See www.treas.gov) Keep in mind that the institution must pay for participation in this program, too, which may lower yields.***

The information described herein is of a general nature, based on information currently available, and should not be relied upon to make planning, purchase, sale, or exchange decisions without seeking personal professional advice.

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