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# FDIC Insurance and How It Works

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FDIC Insured. How many times have you read that at your brick and mortar bank or [online savings institution](#)? But what is FDIC insurance coverage and what's in it for you? FDIC is the acronym for the Federal Deposit Insurance Corporation. An independent agency of the U.S. Government, it was created by the U.S. Congress as part of the Banking Act of 1933 in response to the number of bank failures during the Great Depression. Through its Deposit Insurance Fund (DIF), the FDIC guarantees up to \$250,000 of deposits per depositor per FDIC-insured bank or savings institution.

In other words, if you put your money in an insured bank or savings institution, and the bank or institution fails, you're guaranteed to get up to \$250,000 of your money back per eligible account. If you put \$250,000 in eligible accounts at two different FDIC insured banks or savings institutions, for a total of \$500,000, you'll get all your money back—all \$500,000. That's because coverage limits are up to \$250,000 at each insured location. They're also up to \$250,000 for each insurance ownership category, which are explained below.

And banks do fail, even today. [Eight banks failed in 2017](#) alone. Accountholders with eligible deposits in those banks that were FDIC-insured, got up to \$250,000 back for each eligible account. That said, not all deposits are guaranteed. FDIC insurance covers:

- Checking accounts and [Negotiable Order of Withdrawal \(NOWs\)](#) accounts, essentially interest-bearing checking accounts
- Savings accounts
- Money market accounts
- Certificates of deposit (CDs)
- Individual retirement accounts (IRAs) and some retirement accounts

Stocks, bonds, mutual funds, life insurance policies, securities and annuities are *not* insured. Find out more about account types on the [FDIC website](#).

## FDIC Insurance Beyond One Account

FDIC insurance lets you have more than one account and still be insured. Table 1 illustrates single accounts for one owner at single bank. The owner, Josh, qualifies for a total of \$250,000 in FDIC insurance even though he has multiple accounts. The insurance is based on total deposits held at the bank, not the amounts deposited in individual accounts. However Josh's mutual funds aren't eligible accounts and aren't insured.

Table 1: Single owner, multiple accounts

Depositor	Bank	Account	Account Value	Amount FDIC Insured
Josh Smith	Armo Bank	Savings	\$1,500	\$1,500

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Josh Smith	Acme Bank	Savings	\$1,500	\$1,500
Josh Smith	Acme Bank	Money Market	\$20,000	\$20,000
Josh Smith	Acme Bank	Mutual Funds	\$30,000	\$0
			\$52,000	\$22,000

However, if Josh has account in what the FDIC calls different ownership categories, he could get more than \$250,000 of insurance for his accounts. Different ownership categories are insured separately. Ownership categories include single accounts, joint accounts, revocable trust accounts and select retirement accounts, which includes IRAs. So Josh is eligible for up to \$250,000 in coverage for each account or group of accounts in each ownership category.

Table 2 illustrates single accounts for multiple ownership categories where Josh has multiple accounts at one bank or savings institution in different ownership categories that each qualify for up to \$250,000 in FDIC insurance. All accounts are in the single ownership category, but the IRA also falls into its own ownership category. The IRA is insured for up to \$250,000 itself. The checking, savings and money market are then insured together for up to \$250,000.

Table 2: Single accounts for multiple ownership categories, with each ownership category for an eligible account is insured up to \$250,000

Depositor	Bank	Account	Account Value	Amount FDIC Insured
Josh Smith	Acme Bank	Checking	\$500	\$500
Josh Smith	Acme Bank	Savings	\$1,500	\$1,500
Josh Smith	Acme Bank	Money Market	\$20,000	\$20,000
Josh Smith	Acme Bank	IRA	\$300,000	\$250,000
Josh Smith	Acme Bank	Mutual Funds	\$30,000	\$0
			\$352,000	\$272,000

If Josh has accounts at a separate bank or savings institution, those are insured separately as well. Table 3 shows that Josh has multiple accounts at multiple bank or savings institution and still qualifies for a total of \$250,000 of FDIC insurance for each eligible account in each ownership category at each institution.

Table 3: Single accounts at different institutions

Depositor	Bank	Account	Account Value	Amount FDIC Insured
Josh Smith	Acme Bank	Checking	\$500	\$500
Josh Smith	Acme Bank	Savings	\$1,500	\$1,500
Josh Smith	Acme Bank	Money Market	\$20,000	\$20,000
Josh Smith	Acme Bank	IRA	\$300,000	\$250,000
Josh Smith	Acme Bank	Mutual Funds	\$30,000	\$0
Josh Smith	Capital One	Savings	\$300,000	\$250,000
			\$302,000	\$272,000 for Acme Bank \$250,000 for Capital One

## FDIC Insurance Beyond One Depositor One Account

FDIC insurance gets a bit more complicated with the joint account ownership category.

For joint accounts with two or more owners, FDIC insurance insures each account owner for up \$250,000. So, if you and your spouse have \$500,000 in a joint account at an FDIC-insured bank or savings institution and the bank or institution fails, you're each guaranteed

insured bank or savings institution and the bank or institution fails, you're each guaranteed to get \$250,000 back.

In Table 4, Josh and Jane are joint owners of the accounts. Their checking and money market accounts are joint accounts as is their Capital One Savings account. Both Josh and Jane have equal ownership of the accounts—each own 50% of each account.

Table 4: Joint ownership

Depositor(s)	Bank	Account	Account Value	Amount FDIC Insured
Josh and Jane Smith	Acme Bank	Checking	\$15,000	\$7,500 per owner
Josh and Jane Smith	Acme Bank	Money Market	\$240,000	\$120,000 per owner
Josh and Jane Smith	Capital One	Savings	\$300,000	\$125,000 per owner (half of the \$250,000 coverage limit)
			\$555,000	\$127,500 each for Acme Bank joint account owner  \$125,000 each for Capital One joint account owner

Accounts can also be jointly owned by more than two owners. Assuming all owners have equal ownership, the total insurance is divided by the number of owners and each owner is insured for up to \$250,000.

Like single account owners, joint account owners can be insured for more than \$250,000 at one bank or institution. The key again is different ownership categories. For example, you could have an individual deposit account, a joint account with a spouse, a revocable trust and an IRA at one bank or savings institution. Because each of these is in a different ownership category, you would qualify for up to \$250,000 of FDIC insurance for each owner in each ownership category. Table 5 shows an example of this using Josh and Jane.

Table 5: Combined joint account and single account in multiple ownership categories

Depositor(s)	Bank	Account	Account Value	Amount FDIC Insured
Josh Smith	Acme Bank	Checking	\$5,000	\$5,000 for Josh
Josh and Jane Smith	Acme Bank	Money Market	\$240,000	\$120,000 for Josh \$120,000 for Jane
Josh and Jane Smith	Acme Bank	IRA	\$600,000	\$250,000 for Josh \$250,000 for Jane
			\$1,245,000	\$375,000 Josh \$370,000 for Jane

## FDIC Insurance and Beneficiaries

Everything we've shown so far covers accounts without named beneficiaries. Having beneficiaries on the accounts doesn't negate the account owner's FDIC insurance, but it can increase the amount of FDIC insurance on the account.

Beneficiaries can include people, charitable organizations and non-profits. Adding beneficiaries to an account essentially turns the account into a revocable trust. For [revocable trust accounts](#), each unique eligible beneficiary is insured up to \$250,000. So the total insured amount on an account with five beneficiaries can be \$1,250,000. This assumes the account holds at least \$1,250,000 in deposits, and that each beneficiary is designated to receive an equal share or percentage of the account. And the account is FDIC-insured to

\$1,250,000 even if the bank fails while the original account holder is living.

So, if Josh has a savings account with \$1,250,000 or more in deposits and five named beneficiaries at an FDIC-insured savings institution and the institution fails, Josh gets \$1,250,000 back (\$250,000 per beneficiary multiplied by five). If he has three named beneficiaries on the same account, Josh gets just \$750,000 back (\$250,000 times three).

To turn any account into a revocable trust, the account has to be titled to designate that it passes on to beneficiaries at the account owner's death. To do so, the account title has to include POD or payable on death, in trust for or as trustee for. It doesn't matter how much you designate per beneficiary for up to five beneficiaries. One beneficiary can be allocated to get 96% of the account with the other four allocated to get just 1% each and the account is still insured for up to \$250,000 per beneficiary if the institution fails.

After five beneficiaries, allocating different shares per beneficiary is more complicated. If you have more than five beneficiaries and want to give different beneficiaries different shares, work with your bank or contact the FDIC at 1-877-ASK-FDIC (1-877-275-3342) to ensure you maximize your coverage.

Bottom line, if you have a big deposit and you want to put it into a single account, be sure to title the account appropriately and name multiple beneficiaries to ensure your full deposit is insured. As long as your beneficiaries are allocated to receive equal shares, you can name 10 or more and get up to \$250,000 of FDIC insurance for each beneficiary.

## Is My Bank FDIC Insured?

According to the FDIC, as of September 30, 2018, there were 5,477 FDIC-insured institutions in the U.S.<sup>1</sup> The FDIC reports that 4,744 of those institutions were commercial banks with the remaining 703 being savings institutions.<sup>1</sup> A commercial bank is simply what you or I call a bank. It's a bank that does business with regular people like you and I.

While most banks are FDIC insured, it's easy to make sure your bank is insured. Simply use the FDIC's online [Bank Find](#) tool or call 1-877-ASK-FDIC (1-877-275-3342) toll-free.

## My Accounts Are at a Credit Union, Is My Money Insured?

Banks outnumber credit unions—at least financially. Per [cuna.org](#), banks had \$3,057 million in assets in 2016 compared to just \$222 million for credit unions.<sup>2</sup> But per Experian's *The State of Credit Unions 2017*, one in four Americans has done business with a credit union.<sup>3</sup> That means 25% of us. So what about our money?

Money held in deposit accounts at credit unions is not FDIC insured. It is however just as safe. Money held at credit unions is insured by the National Credit Union Administration (NCUA) and is NCUA insured.

The NCUA was established by the U.S. Congress in 1970. Like the FDIC, it is an independent agency of the U.S. government. It insures deposits at federally insured credit unions for up to \$250,000 per depositor through the National Credit Union Share Insurance Fund (NCUSIF). You can find NCUA insured credit unions by using the [lookup tool on MyCreditUnion.gov](#).

## Have Questions?

If you have questions about FDIC insurance, the [FDIC website](#) is a great resource. The site offers the [electronic deposit insurance estimator or EDIE](#) that lets you estimate your FDIC insurance coverage across different scenarios. You can also call the FDIC at call 1-877-ASK-FDIC (1-877-275-3342) toll-free.

If you want to learn more about NCUA insurance, visit [mycreditunion.gov](#). You can also use the NCUA [Share Insurance Estimator tool](#) to determine how your credit union accounts are insured. You can also contact the NCUA toll-free at 1-800-755-1030.

Happy account ownership!

1 <https://www.fdic.gov/bank/statistical/stats/2018sep/industry.pdf>




2 [https://www.cuna.org/uploadedFiles/Global/About\\_Credit\\_Unions/Frequent-1612.pdf](https://www.cuna.org/uploadedFiles/Global/About_Credit_Unions/Frequent-1612.pdf)


3 <http://www.experian.com/blogs/insights/2017/06/2017-credit-union-report/>

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