MANAGING YOUR MONEY

What to Know About Increased FDIC Insurance for Retirement Accounts

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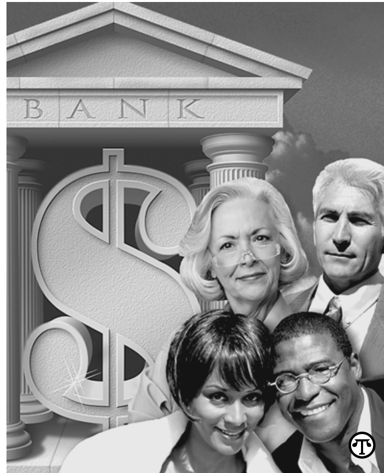
(NAPSA)—For the first time in more than 25 years, Congress has raised the limit on federal deposit insurance coverage, which protects against loss if a banking institution fails. However, the higher insurance limit only applies to certain kinds of retirement accounts that people may have at banks and savings associations insured by the Federal Deposit Insurance Corporation (FDIC) and at credit unions insured by the National Credit Union Administration (NCUA).

The FDIC wants bank customers to know what's new and what hasn't changed.

1. Certain retirement accounts at federally insured banks and savings associations soon will be insured up to $250,000, up from $100,000 previously. The higher insurance coverage applies primarily to traditional and Roth IRAs (Individual Retirement Accounts). Also included are self-directed Keogh accounts, "457 Plan" accounts for state government employees, and employer-sponsored "defined contribution plan" accounts that are self-directed, which are primarily 401(k) accounts. In general, self-directed means the consumer chooses how and where the money is deposited.

Under the FDIC's new rules, which take effect on April 1, 2006, all deposits at a single banking institution that are held in this broad category of retirement accounts are added together and the total is insured up to $250,000, separately from any other deposit accounts you may have at the same institution.



With FDIC coverage for retirement accounts raised to $250,000, more Americans who rely on banking institutions for safety and easy access will know that more of their money for retirement will be completely protected if their financial institution were to fail. There's also the added convenience for people who, previously, might have gone to more than one institution to get full coverage of retirement deposits of more than $100,000.

2. Other deposit accounts are still insured up to at least $100,000. However, as before, there are ways to qualify for more than the basic coverage at one insured institution.

For example, four distinct categories of accounts—checking and savings accounts in your name alone that are not retirement accounts; checking and savings accounts held jointly with other people; business accounts; and employer-sponsored pension or profit-sharing plans—each qualify for separate insurance coverage of $100,000 (as much as $400,000 combined).

In addition, trust accounts may qualify for separate insurance coverage of $100,000 per beneficiary (not per depositor) if certain conditions are met. And remember, under the new rules, your self-directed retirement accounts at the same institution are insured by the FDIC to $250,000 separately from any other accounts you may have there. This can be confusing, so to learn more about how to qualify for additional insurance coverage contact the FDIC as listed below.

3. The insurance limits could rise in the future, but not until 2011, if at all. The new law establishes a method for authorizing an increase in the insurance limits on all deposit accounts (including retirement accounts) every five years starting in 2011 and based, in part, on inflation. Otherwise, your accounts will continue to be insured just as described.

For More Information: Start by going to the FDIC Web site at www.fdic.gov to find consumer resources, including the brochure "Insuring Your Deposits" and the Electronic Deposit Insurance Estimator (EDIE), an interactive tool allowing you to get a summary of your FDIC coverage. Or call toll-free 1-877-ASK-FDIC (1-877-275-3342) Monday through Friday, 8:00 a.m. to 8:00 p.m., Eastern Time. For the hearing-impaired, call 1-800-925-4618.