Your *Trust* Matters

June 2023 Newsletter

MidWest*One*™
TRUST SERVICES

FDIC Insurance

Have you wondered what we mean when we talk about MidWest*One* “bank-side” accounts vs. MidWest*One* Trust accounts? We know it can be confusing knowing who to talk to about which account. One of MWO’s operating principles is “Work as one team,” and you can count on us to make sure we collaborate to get the job done!

Understanding how FDIC insurance works has been especially pertinent since the recent bank failures in California and New York, just as it was during the financial crisis in 2008. While there are many reasons I have a high degree of confidence in the banking industry as a whole and in MidWest*One* Bank specifically, it’s good to have a “refresher” on FDIC insurance. So, let’s start with the basics:

The Federal Deposit Insurance Corporation (FDIC) is an independent agency of the United States government that provides deposit insurance to depositors in U.S. banks and savings associations. FDIC coverage is a crucial component of the U.S. banking system and plays a significant role in maintaining public confidence in the stability and security of the banking industry.

The FDIC provides deposit insurance coverage based on different ownership categories of deposit accounts. Many people get this confused – they think that the FDIC insurance relates to each account. Instead, the focus is on the type of ownership as follows:

- Single Accounts: A single account is one owned by a single individual. Deposits in this category are insured up to $250,000 per depositor, per insured bank. Joint Accounts: A joint account is one owned by two or more individuals who have equal rights to withdraw funds. Each co-owner's share of the joint account is insured up to $250,000. So, if there are two owners, the account could be insured for up to $500,000 ($250,000 per owner).
- Revocable Trust Accounts: Revocable trust accounts include living trusts and informal "payable-on-death" accounts. These accounts are set up to pass funds to named beneficiaries upon the owner's death. The FDIC provides coverage of up to $250,000 per beneficiary for qualifying beneficiaries, with additional coverage available for certain retirement accounts.
- Irrevocable Trust Accounts: Irrevocable trust accounts are established for specific beneficiaries and generally cannot be changed or revoked without the beneficiaries' consent. The coverage for these accounts is up to $250,000 for each unique beneficiary, provided certain requirements are met.
- Certain Retirement Accounts: The FDIC provides separate coverage for certain retirement accounts, such as Individual Retirement Accounts (IRAs) and self-directed Keogh accounts. Coverage for these accounts is also up to $250,000 per depositor, per insured bank.

continued on page 2

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- Corporation/Partnership/Unincorporated Association Accounts: These accounts are owned by corporations, partnerships, or unincorporated associations. Each qualifying owner within the category is insured up to $250,000. Additionally, deposits held in the category for Employee Benefit Plans (such as pension or profit-sharing plans) are insured separately up to $250,000 for each plan.

It's important to note that these are the standard account ownership categories recognized by the FDIC. There may be variations or specific circumstances that require further evaluation to determine the exact coverage limits. The FDIC provides resources, such as its **FDIC: Electronic Deposit Insurance Estimator (EDIE)** which can help individuals calculate their deposit insurance coverage based on their specific account ownership scenarios.

As with all financial planning, it's important to keep in mind what you prioritize when making decisions about structuring your accounts. You may be able to increase your FDIC insurance through some very simple ownership changes. My advice is to work with someone who can help you think through the implications of any changes you make. For example, if you have an individual account instead of a joint account, how does that affect your estate plan? Or should you name one or more beneficiaries on an account and can you increase your FDIC insurance while staying true to your will or other planning documents? Should you consider alternate products offered by MidWest*One* Bank to increase your FDIC insurance such as an Insured Cash Sweep account? The answer depends on your specific situation and how you prioritize your goals.

Do you have questions or want to discuss more? Please don't hesitate to contact your Trust Officer or Private Banker and we will be happy to walk you through it.

Article written by Christy Fehlberg, First Vice President, Senior Private Banker