

FDIC's

**National Telephone Conference
on Deposit Insurance Coverage
for Retirement Accounts and
Employee Benefit Plan Accounts**

Session Dates – October 18 & November 8, 2007



Deposit Insurance Seminar

Today's Speaker

Eligible Ownership Categories



SINGLE



JOINT



CERTAIN
RETIREMENT



EMPLOYEE
BENEFIT PLAN



REVOCABLE
TRUST



IRREVOCABLE
TRUST



CORPORATION
PARTNERSHIP
UNINCORPORATED
ASSOCIATIONS



GOVERNMENT

Introductory Points

- Retirement accounts and employee benefit plan accounts come under two different account ownership categories, with different coverage amounts and rules
- ***Certain* retirement accounts** qualify for coverage up to \$250,000
- **Employee benefit plan accounts** generally are insured up to \$100,000 per participant's interest in the plan

“Floating” Questions

- Customer has \$135,000 in IRA funds and would like to place those funds with your bank. How much insurance coverage is available?
- Customer has \$5 million in “pension money” and would like to place those funds with your bank. How much insurance coverage is available?

Overview of Certain Retirement Accounts & Employee Benefit Plan Accounts

Eligible for the \$250,000 category

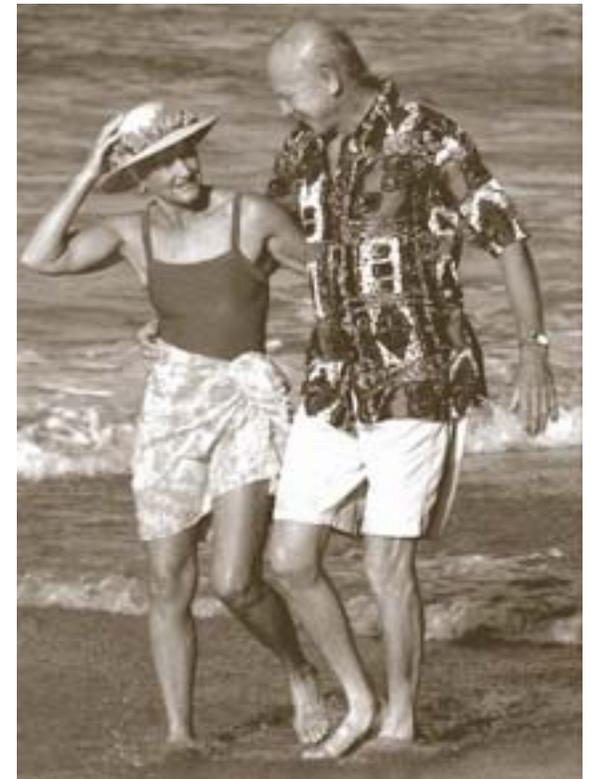
- *IRAs*
- *Self-directed* defined contribution plan accounts
- Section 457 deferred compensation plan accounts
- *Self-directed* Keogh plan accounts

Eligible for the \$100,000 per-participant category

- Defined benefit plan accounts
- Defined contribution plan accounts - not *self-directed*
- Health & Welfare plan accounts
- Keogh plans - not *self-directed*

Certain Retirement Accounts

- Deposits owned by one participant in *certain* retirement accounts
- Coverage: up to \$250,000 for *certain* retirement accounts



Certain Retirement Accounts

The most common type of account in this category is the Individual Retirement Account (IRA)

The current types of IRAs are:

- Traditional IRAs
- Roth IRAs
- Simplified Employee Pension (SEP) IRAs
- Savings Incentive Match Plans for Employees (SIMPLE) IRAs

Certain Retirement Accounts

The other types of retirement accounts in this category are:

- *Self-directed* defined contribution plan accounts – primarily 401(k) and *self-directed* profit-sharing accounts
- Section 457 deferred compensation plan accounts (whether or not *self-directed*)
- *Self-directed* Keogh plan accounts

Definition of *Self-Directed*

The owner, not a plan administrator, has the right to direct how the funds are invested, including the ability to direct that the funds be deposited at a specific FDIC-insured bank

Accounts Not Eligible for \$250,000

- Defined benefit plan accounts
- Defined contribution plan accounts – not *self-directed*
- Health & welfare plan accounts
- Keogh plans – not *self-directed*

- Health Savings Accounts
- Coverdell IRAs (formerly known as Education IRAs)

Important Point

Insurance coverage is not increased by the number of beneficiaries named on a retirement account or in the applicable retirement plan

Example – Tom’s Deposit Accounts

Account	
# 1	Tom has an IRA with a balance of \$150,000
# 2	Tom works at a company that has a 401(k) plan. His share in the plan is \$125,000. Each participant can choose where his or her funds are invested. Tom has chosen that his funds go to the same bank where he keeps his IRA money
# 3	Tom also has his personal checking account at the same bank, with a balance of \$80,000.

How much FDIC coverage does Tom have for his accounts at the bank?

Tom's Deposit Accounts

	Account Title	Balance	Certain Retirement Account	Single Account	Insured Amount	Uninsured Amount
# 1	IRA	\$150,000	} \$ 275,000		\$ 250,000	\$ 25,000
# 2	401(K)	\$125,000				
# 3	Personal Checking	\$ 80,000		\$ 80,000	\$ 80,000	\$ 0
Total		\$355,000	\$ 275,000	\$ 80,000	\$ 330,000	\$ 25,000

Employee Benefit Plan Accounts

Employee benefit plan accounts are deposits held by any plan that satisfies the definition of an employee benefit plan in section 3(3) of the Employee Retirement Income Security Act of 1974 (ERISA).

Examples:

- Defined benefit plan accounts
- Defined contribution plan accounts – not *self-directed*
- Health & Welfare plan accounts
- Keogh plans - not *self-directed*

Employee Benefit Plan Accounts

Parties will include:

- ▶ Sponsor (employer)
- ▶ Plan administrator (trustee/depositor)
- ▶ Participants (employees/owners)

Employee Benefit Plan Coverage

- Up to \$100,000 for each participant ascertainable, non-contingent interest
- Referred to as “*pass-through*” coverage

Valuation for “Pass-through” Coverage

“Pass-through” coverage is not determined by simply multiplying \$100,000 by the number of plan participants

- **Defined Contribution Plans ➡ Employee’s Account Balance**
- **Defined Benefit Plans ➡ Actuarial Value of Employee’s Interest**

Example

Account Title: Happy Pet Vet Clinic Defined Benefit Plan

Plan Participants	Share of Plan
Dr. Todd	35%
Dr. Jones	25%
Tech Barnes	20%
Tech Evans	10%
Tech Cassidy	10%
Plan Totals	100%

Example

**Account Title: Happy Pet Vet Clinic
Defined Benefit Plan**

\$ 500,000

Plan Participants	Share of Plan	Share of Deposit	Amount Insured	Amount Uninsured
Dr. Todd	35%	\$ 175,000	\$ 100,000	\$ 75,000
Dr. Jones	25%	125,000	100,000	25,000
Tech Barnes	20%	100,000	100,000	0
Tech Cassidy	10%	50,000	50,000	0
Tech Evans	10%	50,000	50,000	0
Totals	100%	\$ 500,000	\$ 400,000	\$100,000

Maximum Deposit Amount Eligible for Full Coverage - Formula

**Maximum coverage
per participant**

\$ 100,000

Divided by

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Largest participant interest

.35 (Dr. Todd)

**Maximum Deposit Insurance
Amount Eligible for
Full Coverage**

= \$ 285,714

Example

**Account Title: Happy Pet Vet Clinic
Defined Benefit Plan**

\$ 285,714

Plan Participants	Share of Plan	Share of Deposit	Amount Insured	Amount Uninsured
Dr. Todd	35%	\$ 100,000	\$ 100,000	\$ 0
Dr. Jones	25%	71,429	71,429	0
Tech Barnes	20%	57,143	57,143	0
Tech Cassidy	10%	28,571	28,571	0
Tech Evans	10%	28,571	28,571	0
Totals	100%	\$ 285,714	\$ 285,714	\$ 0

Recordkeeping Requirements

- Account title must indicate the existence of an Employee Benefit Plan Account
- Plan administrator must be prepared to produce copies of the plan documents

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Eligible for the \$100,000 per-participant category

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“Floating” Questions – Answers

- Customer has \$135,000 in IRA funds and would like to place those funds with your bank. How much insurance coverage is available? **Full coverage, assuming the customer has no other accounts categorized as certain retirement accounts at the bank.**
- Customer has \$5 million in “pension money” and would like to place those funds with your bank. How much insurance coverage is available? **Need more information. Assuming, for example, a non self-directed 401(k) plan with 1,000 participants and no one having an ownership interest over 2%, full coverage.**

Questions and Answers