

A Primer on Share Insurance Coverage for Individual Credit Union Members

Are you looking for answers about your credit union's safety, soundness and insurance? The following information will explain how federal share insurance protects your savings—every day.

The key point for most members

If you have no more than \$100,000 in all your accounts at the credit union (whether savings accounts, certificates, a share draft checking account, and so forth), sleep soundly—all your funds are covered by federal share insurance.

If you have more than \$100,000 at the credit union, there is much more federal insurance coverage available, depending on how you've set up the ownership structure and possible beneficiaries of your accounts. And regardless of what other funds you have at the credit union, money you have in your Individual Retirement Accounts (IRAs)—traditional individual retirement accounts and any Roth IRAs at the credit union—is separately insured from any other accounts at the credit union up to \$250,000.

What is federal insurance?

You'll see an insurance sign at the credit union with the big letters: "**NCUA, National Credit Union Administration, a U.S. Government Agency.**" The insurance sign says: "**Your savings federally insured to at least \$100,000 and backed by the full faith and credit of the United States Government.**" NCUA's insurance program for credit unions is just like the Federal Deposit Insurance Corporation's (FDIC) insurance program for banks.

The insurance funds are held by the U.S. Treasury, and they cannot be used for any other purpose. And in the very unlikely event that all the insurance funds are paid out, federal law requires that general revenue funds cover any remaining insurance claims—that is why "the full faith and credit" of the U.S. government stands behind your insurance coverage. So in the very rare event your federally insured bank or credit union fails, you will get your insured savings back—you might be somewhat inconvenienced by a little paperwork, but you will get your money back.

OVERVIEW OF SHARE INSURANCE COVERAGE

Here's an overview of how federal share insurance applies to your credit union accounts, and how you can keep much more than \$100,000 at the credit union and still be fully insured. And these insurance coverages apply separately at each credit union (and each bank) where you keep funds. NCUA has more detailed information on its website at www.ncua.gov about share insurance coverage.

FUNDS YOU HAVE IN YOUR INDIVIDUAL ACCOUNTS ARE INSURED TO \$100,000

Any funds in any accounts (other than your IRAs) held in your own name—and that do not list any beneficiaries in case of your death—are added together and insured up to \$100,000. These accounts include:

- Your individually-owned share accounts, share certificates and checking accounts.
- Any accounts that you use for business purposes where the business is not a legal partnership or a corporation—for example sole proprietorship or "doing business as" accounts. (A business will have its funds at the credit union separately insured up to \$100,000.)
- Any accounts where an agent, guardian or conservator for you is listed on the account as representing your personal interests.
- In community property states, accounts with only your name on them—community property laws don't affect share insurance coverage.

FUNDS YOU HAVE IN JOIN ACCOUNTS ARE SEPARATELY INSURED TO \$100,000.

If you have one or more joint accounts at the credit union, you are insured up to \$100,000 for your portion of all the funds you have in jointly-owned accounts. This is calculated separately from any insurance you have on accounts you own by yourself. And you can have different co-owners on various joint accounts at the credit unions—your ownership interest in each of those accounts (regardless of whether they are joint checking accounts, jointly owned certificates or share accounts) are added together for joint account insurance coverage up to \$100,000.

Example: If you and your spouse have \$180,000 in a joint account at the credit union, the account is fully insured (\$90,000 for you and \$90,000 for your spouse). If your son is added to the account so there are three joint owners, you can have up to \$300,000 in the account and the funds will be fully insured (\$100,000 for each of you). This coverage doesn't change even if you have a \$50,000 share certificate in your own name.

FUNDS YOU HAVE IN “REVOCABLE TRUST ACCOUNT” ARE ALSO SEPARATELY INSURED UP TO \$100,000 FOR EACH “QUALIFYING BENEFICIARY”.

A “revocable trust account” at a credit union typically is an account where you’ve designated a beneficiary (a “payable-on-death account” or POD), or where you have a formal “living trust” document and some or all of your funds are in accounts at the credit union with designated beneficiaries. In these types of accounts, you have full control over your funds and can switch beneficiaries any time you want.

You have share insurance coverage up to \$100,000 for each “qualifying beneficiary” separate from insurance you have on funds you hold in individual and joint accounts where you haven’t listed beneficiaries. And if there is a jointly-owned revocable trust account, the interest of each owner held for the benefit of each qualifying beneficiary will be separately insured up to \$100,000.

To be “qualifying beneficiaries,” the person listed must have one of the following relationships with you: Spouse, child, grandchild, parent or sibling (including biological, adoptive or step relationships). (Note that if the spouses set up a revocable trust naming only one another as the sole beneficiaries, the account will be insured as a joint account, not as a revocable trust account.)

If you have a “non-qualifying beneficiary” listed as the POD (such as a nephew or an aunt), the account is still insured by adding the funds in it to any individual accounts you hold. If you have a son, daughter and nephew listed as beneficiaries, one-third of the account would be added to the funds in your individual accounts to determine insurance coverage.

If NCUA were ever to have to pay out the funds, you as the owner of the revocable trust account would receive the funds, not the beneficiary—these rules are just to determine the amount of insurance coverage available.

Example: You and your spouse have an account on which you designate your son and daughter as the POD beneficiaries. Up to \$400,000 can be put in this account and be fully covered by federal share insurance. Why? You get \$100,000 insurance coverage because your son is listed as a beneficiary and another \$100,000 because your daughter is listed. Your spouse also gets the same coverage because the two children are listed and both are “qualifying beneficiaries”.

Additional qualifying relatives increase the maximum insurance coverage possible, but you can’t increase insurance coverage merely by opening another account listing your daughter again as a POD—those POD accounts would be added together to determine maximum revocable trust insurance coverage. And, remember, this \$400,000 coverage is in addition to any coverage you have on your individually-owned accounts, and any coverage you have on joint accounts that don’t list qualifying beneficiaries.

FUNDS YOU HAVE IN “IRREVOCABLE TRUST ACCOUNTS” ARE ALSO SEPARATELY INSURED UP TO \$100,000 PER BENEFICIARY.

An irrevocable trust account is established by a formal written trust agreement in which the person creating the trust contributes money to the account and relinquishes all power to terminate the trust.

If you establish one or more irrevocable trust accounts at the credit union for your son, those accounts are added together and are insured up to \$100,000 separately from any other accounts you have at the credit union. There is no “qualifying beneficiary” rule, so you can list anyone you want as a beneficiary of an irrevocable trust and still have separate insurance coverage up to \$100,000 for each beneficiary.

AND FUNDS IN YOUR INDIVIDUAL RETIREMENT ACCOUNTS (IRAs) ARE INSURED SEPARATELY UP TO \$250,000.

All your IRAs in the credit union are added together and insured up to \$250,000. IRAs include both traditional IRAs and Roth IRAs.

Coverdell Education Savings Accounts (which used to be referred to as “educational IRAs”) are insured as irrevocable trust accounts.

For more information on how your money is insured, visit the NCUA’s website at www.ncua.gov/shareinsurance.