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FDIC Basics

With the recent IndyMac failure and other well known banks making the news, many people are concerned about the security of their deposits at the bank. Did you know that how your accounts are titled affects how much you might lose if your bank goes under? Below are some basic facts to consider regarding your bank accounts.

Each individual's deposits are insured by the FDIC up to \$100,000 per financial institution. Joint accounts are considered to be held pro-rata amongst the account owners. Accounts held in trust are considered to be held pro-rata amongst the account beneficiaries, unless a formal trust document dictates another ownership division. Accounts held within a brokerage investment account are considered to be held pro-rata by the brokerage account owner(s).

With this being said, here is an example of how the insurance rules could affect you: Assume that you have a brokerage account at Bank of America. Assume that your financial advisor invests \$50,000 from your account into a certificate of deposit at Bank of America. Also assume that you have a Bank of America joint checking account with your spouse with a \$20,000 balance (\$10,000 allocated to you for FDIC insurance purposes). Your uncle also has a Bank of America account which is payable on death (POD) to you and your cousin in the amount of \$150,000 (\$75,000 allocated to you for FDIC insurance purposes).

Your entire amount at risk is therefore computed as \$135,000; the \$50,000 CD, plus half of the \$20,000 from your joint checking account, plus half of the \$150,000 from the POD. Accordingly, in the unlikely event that the bank fails, \$35,000 of your total deposits could be lost because they exceed the maximum FDIC liability coverage of \$100,000.

Some other important facts are:

- If an account holder dies, they are still considered to own their portion of the account for six months; this gives joint account holders with large balances a chance to

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restructure their holdings.

- If your bank merges with another bank in which you already have a large account, don't worry, each account is insured separately for a grace period of six months.
- If a beneficiary of a formal trust or an account titled POD dies, unfortunately, their share of the account is immediately exposed; there is no six month grace period.
- Funds owned by a sole proprietorship are considered to be owned by the individual owner of the business and are combined with the individual's funds to determine exposure.

If a bank fails, you usually receive your insured funds within a few days; any uninsured funds could take years to receive, if at all, depending on the quality and value of the failed institution's assets.

This article is not intended to be comprehensive but rather provides a summary of basic FDIC facts. You are encouraged to confirm, with a representative of your financial institution, the titling of your accounts to determine rights of ownership and FDIC coverage. You are also encouraged to visit the [FDIC website](#) for more detailed explanations, frequently asked questions and for a complete listing of all [FDIC insured institutions](#).

Monthly QuickBooks Tip



By Suzanne Stabila Duffy, Certified QuickBooks ProAdvisor®

Organizing lists in QuickBooks is easier than you think. QuickBooks attempts to sort lists (customers, vendors, chart of accounts, etc.) in alphabetical order; however, should you wish to rearrange the lists into a different order, all you need to do is click and drag.

When you open your customer list, you will notice a diamond in front of each customer and job, if applicable. Simply place your mouse pointer over the diamond in front of the customer and click and drag it to where you want the name to appear. One indent indicates it is a job under the customer. Two indents indicate it is a sub-job of a customer. When you produce any customer reports, the customers will be in the same order that you see in the customer list. The same steps apply to the other lists.

QuickBooks Training Seminars

We have always offered individual QuickBooks training. We are now considering offering QuickBooks training seminars. Please let us know if you would be interested in attending such a seminar and which QuickBooks topics might interest you most. Please email Sue Duffy to give us your thoughts (sue@kwacpa.com).

Form 1120S S-Corp Tax Return Filing Deadline

S-Corp tax returns for year 2007 must be filed by September 15, 2008 which is quickly approaching. If you have not filed your 2007 S-Corp tax return yet, please contact us as soon as possible.

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