



NCUA Increases Retirement Insurance Coverage

What's changed, what hasn't, and how to get more information

You work hard and save money to ensure that one day you will have a comfortable retirement. Today, people live longer and spend more years in retirement than ever before, so preparing financially and keeping your nest egg secure is crucial.

The good news is that people now have increased protection on their retirement savings accounts at banks and credit unions. For the first time in 25 years, Congress has raised the limit on federal deposit and share insurance coverage, which protects against retirement savings loss if a bank or credit union fails. However, the higher insurance limit only applies to certain retirement accounts that people 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).

NCUA wants credit union members to be clear about what has and hasn't changed. Basics about the new and existing insurance coverage follow.

1. Traditional and Roth IRAs and KEOGH retirement accounts at NCUA insured credit unions are now insured up to \$250,000, an increase from the previous \$100,000 coverage.

Effective April 1, 2006, NCUA insured credit union retirement accounts such as Individual Retirement Accounts (IRAs) and Keogh accounts are insured up to \$250,000. Under new rules, traditional

and Roth IRAs at one credit union are now insured in the aggregate to \$250,000. Additionally, NCUA insures Keogh accounts separately in the aggregate to \$250,000.

Retirement account insurance protection is separate and apart from insurance coverage on other credit union accounts. For example, if you have a regular share account, an IRA, and a Keogh at the same credit union, the regular share account is insured up to \$100,000, the IRA is separately insured up to \$250,000, and the Keogh is separately insured up to \$250,000.

The increase to \$250,000 for retirement account protection is important because many people saving for retirement have accumulated well in excess of \$100,000. With the additional NCUA coverage, more members who rely on their credit union as a safe harbor for retirement savings will be completely protected if their institution were to fail. What's more, the additional coverage means many people will no longer need to go to more than one institution to get full coverage for retirement funds in excess of \$100,000.

2. Basic insurance coverage for other share accounts is still \$100,000. However, just as before, there are many ways to qualify for more than basic coverage at one institution.

Generally, if a credit union member has more than one account in the same credit union, these accounts are added together and insured in the aggregate. For example, if you have a regular share account, a share certificate, and a share draft account in your name alone, these accounts will be added together and insured up to \$100,000

separate from your retirement account.

What's more, joint accounts you hold with other people are separately insured up to \$100,000. For instance, let's say you have three accounts at one credit union—a \$30,000 share draft account in your name, a \$60,000 savings account you own jointly with your spouse, and a \$100,000 account for a corporation you own. Although the three accounts total \$190,000, all of the money is fully insured by NCUA because each type of account is in a different ownership category that is separately covered to \$100,000.

Also, revocable trust accounts may qualify for separate insurance coverage of up to \$100,000 per beneficiary if certain conditions are met. For example, if you have a \$300,000 payable-on-death account naming your spouse and two children as the beneficiaries, upon your death the entire \$300,000 would be insured by the NCUA (\$100,000 per beneficiary). This insurance coverage would be separate from the money you have in other types of accounts at the same institution.

And remember, under the new rules your retirement accounts are protected up to \$250,000 and insured separate from your other accounts.

3. The insurance limits could rise in the future, but it wouldn't occur before 2011, if at all.

The new law establishes a method for considering an increase in the insurance limits on all share accounts (including retirement accounts) every five years beginning in 2011, based in part on inflation. Otherwise, accounts will continue to be insured as described above.

continued

Beyond the new law, a few other important reminders follow:

No member has lost one cent of NCUA insured funds as a result of credit union failures. Fortunately, failures are relatively rare. But if your credit union were to fail, NCUA would cover your share accounts dollar for dollar up to insurance limits.

NCUA insurance applies to your credit union accounts, not investments.

The NCUA protects share savings accounts, share draft (checking) accounts, share certificates and other types of share accounts. NCUA does **NOT** insure the money you invest in mutual funds, stocks, bonds, life insurance policies and annuities.

If you or your family have \$100,000 or less in all your accounts at the same insured credit union, you don't need to worry about insurance coverage. Your money is fully insured. If you have more than \$100,000 at any single credit union, you should take the time to be sure you are fully insured.

For more information, start by visiting the NCUA website <http://www.ncua.gov/ShareInsurance/Index.htm> to find the consumer brochure *Your Insured Funds*. It offers details and provides more examples of insurance protection. Within a few months, NCUA's electronic share insurance estimator, an interactive tool which enables you to calculate your NCUA coverage, will again be available online at <http://www.ncua.gov/ShareInsurance/Index.htm>.

The following illustrates additional coverage for insured credit union accounts.¹

¹Adapted from an FDIC Consumer News Special Bulletin

Individual coverage

Individual	Individual	100,000
IRA	Retirement	250,000
Keogh	Retirement	250,000
TOTAL		\$ 600,000

Family of two

Individual Accounts	Husband Individual	\$ 100,000
	Wife Individual	100,000
Joint Tenancy Accounts	Husband & Wife (Joint)	200,000
Testamentary Revocable Trust Accounts	Husband as Trustee for Wife	100,000
	Wife as Trustee for Husband	100,000
IRA	Husband & Wife (Both have an IRA)	500,000
TOTAL		\$1,100,000

Family of three

Individual Accounts	Husband Individual	\$ 100,000
	Wife Individual	100,000
	Child Individual	100,000
Joint Tenancy Accounts	Husband & Wife (Joint)	100,000
	Husband & Child (Joint)	100,000
	Wife & Child (Joint)	100,000
KEOGH	Husband	250,000

The Husband is insured to \$100,000 on his two accounts with Wife and Child. The Wife is insured to \$100,000 on her two accounts with Husband and Child. The Child is insured to \$100,000 on his/her accounts with father and mother.

Testamentary Revocable Trust Accounts	Husband as Trustee for Wife	100,000
	Husband as Trustee for Child	100,000
	Wife as Trustee for Husband	100,000
	Wife as Trustee for Child	100,000
TOTAL		\$1,250,000

Family of four

Individual Accounts	Husband Individual	\$ 100,000
	Wife Individual	100,000
	Child #1 Individual	100,000
	Child #2 Individual	100,000
Joint Tenancy Accounts	Husband & Wife (Joint)	100,000
	Husband & Child #1 (Joint)	100,000
	Wife & Child #2 (Joint)	100,000
	Child #1 & Child #2 (Joint)	100,000

As in the previous illustration, none of the co-owners have an interest of more than \$100,000 in all the joint accounts, so the total amount held by each of the co-owners in all joint accounts is insured.

Testamentary Revocable Trust Account	Husband as Trustee for Wife	100,000
	Wife as Trustee for Husband	100,000
	Husband as Trustee for Child #1	100,000
	Wife as Trustee for Child #1	100,000
	Husband as Trustee for Child #2	100,000
	Wife as Trustee for Child #2	100,000
IRA	Wife	250,000
KEOGH	Husband	250,000
TOTAL		\$ 1,900,000

