

# FDIC increases protection for retirement funds

The new rules, however, do not insure non-retirement accounts at the same institution.

As many have recently learned—in some cases, painfully—more and more of the responsibility for assuring the security of one's own retirement is being placed on the individual. Major companies that have maintained traditional defined-benefits pension plans for their employees have, particularly when facing difficult economic circumstances, severely curtailed benefits under those plans. Other companies have attempted to move their employees away from defined-benefit plans entirely, instead utilizing the growing array of individual retirement account alternatives.

Of course, this shift places the burden of investment decisions on individuals who may be uninformed about some of the risks that exist. Many individuals who sought the supposed safety of deposits at banks may have overlooked a very basic risk: What will happen to funds in an individual retirement account if the bank at which those deposits are maintained fails? To the extent that the balance of the deposit account exceeds insurance levels, it is unprotected. The level of insurance coverage for those deposit accounts has remained the same for decades, even as those balances may have grown dramatically over the years.



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Recently, the government acted to lessen this risk. Effective April 1, 2006, the Federal Deposit Insurance Corporation (FDIC) increased the amount of deposit insurance coverage on some retirement accounts from \$100,000 to \$250,000. The increased coverage limit insures depositors on up to \$250,000 at one bank or savings institution for a variety of retirement accounts, including traditional and Roth individual retirement accounts, self-directed Keogh accounts, 401(k) accounts, and 457 plan accounts for state government employees. This increase comes after the FDIC board of directors approved final rules that implement changes Congress made to Section 11(a)(3)(A) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(3)(A)).

Depositors should note that the retirement accounts protected by the new rules are insured separately from non-retirement accounts at the same institution, which continue to be insured up to \$100,000. This means that a depositor can have up to \$250,000 of insured deposits in a covered retirement account and also have up to \$100,000 of insured deposits in checking and savings accounts at the same institution. Additionally, the legislation con-

tains a provision that enables the FDIC to consider an inflation-based increase in the insurance limits on all deposit accounts every five years starting in 2010.

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