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Ask the Experts: FDIC Insurance

In this article, we explain FDIC insurance.

Q: Can you explain how FDIC insurance works?

The Federal Deposit Insurance Corporation (FDIC) offers insurance coverage to banks as a way to protect your cash deposits against the risk of bank failure. The standard insurance amount is $250,000 per depositor, per insured bank, for each account ownership category.

In other words, if you have multiple individual accounts at the same bank, the combined total of these accounts is protected up to $250,000. However, if you have more than $250,000 spread across multiple individual accounts at the same bank, only $250,000 would be insured.

Banks aren't required to participate in FDIC insurance, and they aren't insured automatically. They apply for coverage and pay monthly premiums, just like you pay for your health or auto insurance. Banks that choose not to participate in FDIC insurance are extremely rare, but they do exist, so it's a good idea to confirm that your bank is a member.

Credit unions use a separate form of insurance offered via the National Credit Union Administration (NCUA) instead. NCUA coverage is similar to FDIC insurance coverage, guaranteeing up to $250,000 per person, per institution, per ownership category.

To take full advantage of FDIC or NCUA insurance, consider spreading your cash deposits across multiple banks and diversifying your account ownership. These two strategies can help you increase your total insured amount at each bank. And if you're uncertain about how much cash you should have in checking and savings accounts, talk to your financial advisor.

Have questions? Need help? Call the CAPTRUST Advice Desk at 800.967.9948, or schedule an appointment with a retirement counselor today.