

## Can a revocable trust have joint owners?

A living trust agreement and a signature card revocable trust agreement can have multiple owners as well as multiple beneficiaries. If there are two owners, each is allocated half the account balance (for deposit insurance purposes) and then each is insured for the shares of each of the beneficiaries (as if there were two accounts with different owners).

## What type of conditions and contingencies can be placed on the account?

With a living trust agreement, the owner can impose conditions on a beneficiary's share in the account and, in most cases, not affect the deposit insurance benefit. For example, the owner could impose a time limitation, providing that the beneficiary cannot withdraw until after reaching a certain age, and that would not defeat the insurance for that designated share. So long as the condition is still possible of fulfillment, the condition would not defeat the designation and the insurance share.<sup>3</sup>

A living trust can also provide for contingent alternate beneficiaries. These are people or charities who are to acquire a share in the event a first beneficiary is disqualified. (The shares designated for alternate beneficiaries are not separately insured unless the contingency has occurred.)

## Should I get expert advice first?

You will probably need an attorney to help you with the creation of a living trust agreement. Deposit insurance is only one (and probably not the most important) element in planning your estate.

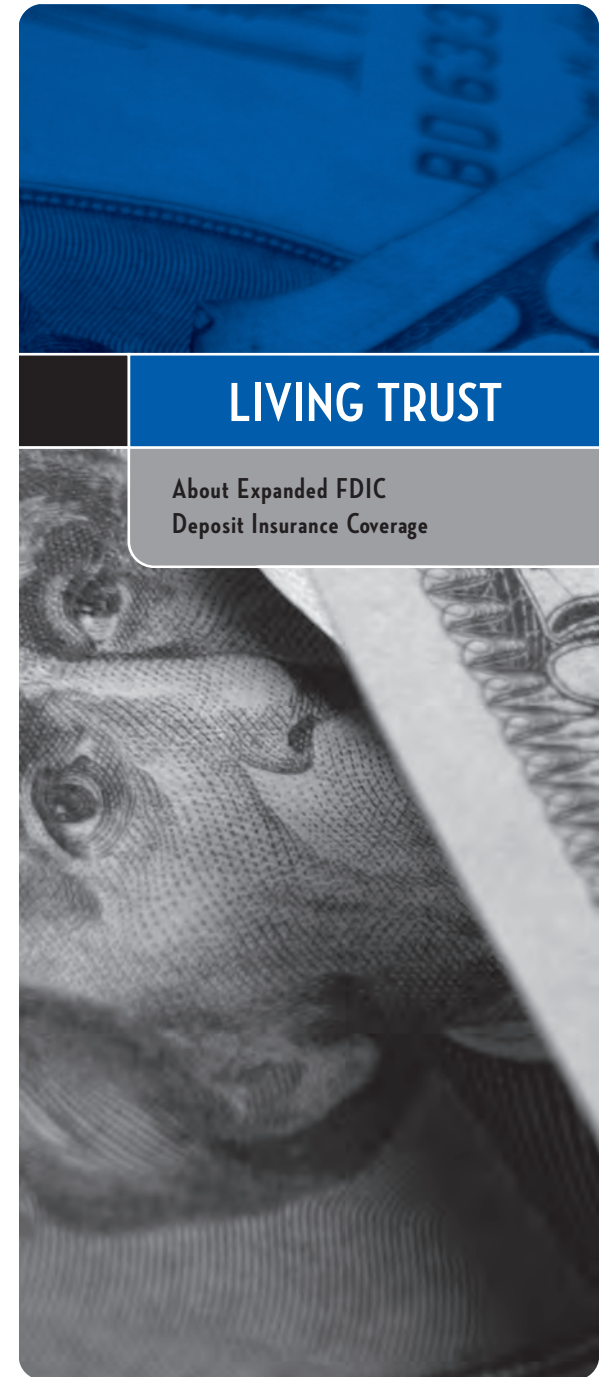
<sup>3</sup>Signature cards are just not readily capable of accepting such conditions.

For more information on living trusts, the FDIC regulations are located at 12 Code of Federal Regulations §330.10. You can access those regulations online at [www.fdic.gov](http://www.fdic.gov).

For more information, log on to [www.fdic.gov/deposit/deposits/insuringdeposits](http://www.fdic.gov/deposit/deposits/insuringdeposits). This is the FDIC's **updated** explanation for personal accounts and includes a good recitation of living trust accounts. This web site also includes the following statement:

*Determining coverage for living trust accounts can be complicated and requires more detailed information about the FDIC's insurance rules than can be provided in this publication. If you have a living trust account, contact the FDIC at 1.877.275.3342 for more information.*

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## LIVING TRUST

About Expanded FDIC  
Deposit Insurance Coverage

The standard insurance amount of \$250,000 per depositor is in effect through December 31, 2013. On January 1, 2014, the standard insurance amount will return to \$100,000 per depositor for all account categories except IRAs and other certain retirement accounts, which will remain at \$250,000 per depositor.

Each depositor insured to at least \$250,000  
Temporarily increased from \$100,000 to \$250,000 through 12/31/2013

**FDIC**  
Federal Deposit Insurance Corporation [www.fdic.gov](http://www.fdic.gov)

## Deposit Insurance and Revocable Trusts

The Federal Deposit Insurance Corporation (FDIC) insures your deposits with us.

In October 2008, the standard maximum deposit insurance amount was increased to \$250,000. That means each account with a separate ownership status (see account types below) formerly insured for \$100,000 is now insured to \$250,000.<sup>1</sup> You can multiply the \$250,000 of basic coverage many times by using different accounts with different “ownership rights and capacities.” The ownerships available to individuals include:

- Single Ownership Accounts (Individual)
- Joint Accounts
- Revocable Trust Accounts
- Individual Retirement Accounts

This brochure focuses on revocable trust accounts. These have become popular estate planning tools. The recent changes in deposit insurance make them more attractive than ever.

### 2008 Changes

The 2008 changes in FDIC insurance that apply to revocable trusts are as follows:

- The insured share for each beneficiary is now \$250,000
- Beneficiaries no longer need to be family members
- A charity or non-profit (as recognized by the IRS) can be a beneficiary
- Life estates are valued before remainder interests and up to the standard maximum deposit insurance amount

<sup>1</sup>This increase is effective until 12/31/2013. It is then scheduled to revert back to \$100,000, assuming Congress does not act again. The increase does not affect IRA accounts which were at \$250,000 and are not scheduled to decline.

## What is a revocable trust?

A revocable trust allows you to transfer certain assets to others in the event of your death or some other future event. It accomplishes many of the same functions as a will, but without the help, hindrance, or necessity of probate proceedings.

Normally under this type of arrangement, the owner keeps complete control (and ownership) of the assets before the event occurs. The owner usually is the trustee and has unfettered discretion. This means the owner can use, spend, or redistribute the assets placed in the trust during his or her lifetime. The owner even reserves the right to “revoke” the trust altogether. (Hence the term “revocable trust.”)

## How is a revocable trust created?

There are two methods of creating a revocable trust:

**Signature Card:** One method is by creating a simple revocable trust by signing a signature card or similar document. The account is titled “Pay on Death” or “POD” or “In Trust for” and names one or more beneficiaries. As long as the account, the owner, and the beneficiaries remain alive, the owner is insured for up to \$250,000 for each beneficiary. The beneficiaries have no rights unless and until the owner dies, at which time the account is distributed to the beneficiaries without probate. This type of trust is revoked by changing the title of the account or closing the account. It only deals with the specific deposit account to which the card relates and does not allow for conditions for revocation or contingencies other than the death of the owner and the survival of the beneficiaries. You can create a simple revocable trust with any type of deposit account (e.g., checking, savings, or time deposit).

**Living Trust Agreement:** The other method is by creating a “living trust” with a more formal document. A living trust can include many assets besides bank accounts, such as real estate and stocks. Again, the assets remain the property of the owner. A living trust enjoys the same advantages as the POD account, and several more:

- The property passes to the beneficiaries without a probate proceeding
- A living trust can include any and all assets of the owner (real estate, stocks, etc.), not just deposit accounts<sup>2</sup>
- The owner does NOT have to disclose the entire trust agreement to the depository
- The trust can provide for contingencies other than the death of the owner to automatically make the trust irrevocable, or to automatically revoke the trust
- The trust agreement can provide conditions on a beneficiary’s receipt of the share designated for them, contingent beneficiaries, rights such as life estates, and similar features that are not available on a simple signature card

The FDIC also changed how it would value a life estate interest in an insured deposit account that is part of a living trust. The FDIC will value the life estate with the entire remainder balance of the deposit account, up to the insurance limit, and then divide an excess among the remainder beneficiaries. This is a bit complicated but the net effect is that the insurance benefit will not be any less than it would have been prior to the change in insurance coverage rules.

## Can I have a living trust and a pay-on-death account at the same bank?

An owner can create any number of revocable trust accounts, by either method, with the same bank. However, the amounts designated for the same beneficiary by the same owner with the same bank—regardless of the method—are aggregated toward one limit. An owner can create one account with many different beneficiaries or several accounts with one beneficiary each. Multiple beneficiaries of one account are presumed to get equal shares in a simple revocable trust. In a living trust, the beneficiaries can get different shares.

<sup>2</sup>The FDIC only insures the bank deposit portion of a living trust.