

in a simple revocable trust. In a living trust, the beneficiaries can get different shares.

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 share 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 share 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.³

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, and share insurance is only one (and probably not the most

important) element in planning your estate. The new rule for living trusts with five or fewer beneficiaries is one that is a real advantage but takes some concentration to understand completely.

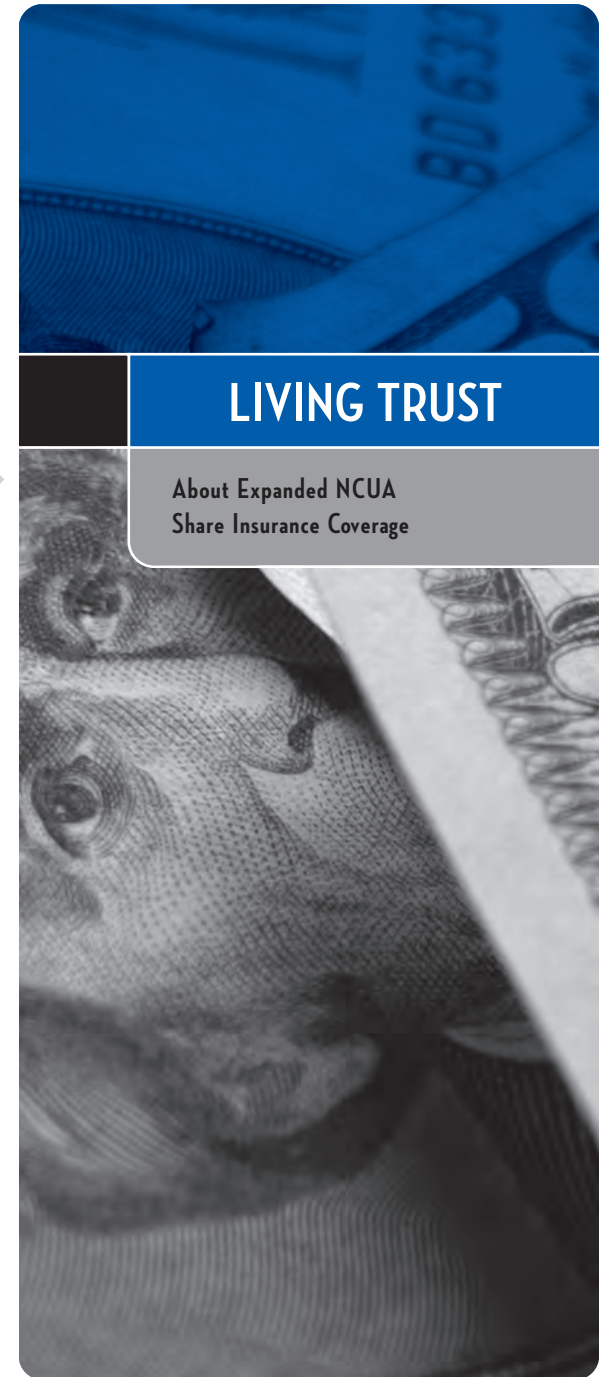
For more information on living trusts, the NCUA regulations are located at 12 Code of Federal Regulations § 12 CFR 745.4. You can access those regulations online, by several sources. The NCUA web site is www.ncua.gov.

We can help you with your questions, and the NCUA includes the following notice on its website:

Contact NCUA's Consumer Assistance Center between 8 A.M. and 6 P.M. (ET) at 1.800.755.1030, press 1 for share insurance questions.

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³Signature cards are just not readily capable of accepting such conditions.



LIVING TRUST

About Expanded NCUA
Share Insurance Coverage

The increase in coverage from \$100,000 to \$250,000 is currently scheduled to expire December 31, 2013 for non-IRA accounts.

Your savings federally insured to at least \$250,000 and backed by the full faith and credit of the United States Government

NCUA
National Credit Union Administration, a U.S. Government Agency

Share Insurance and Revocable Trusts

The National Credit Union Administration insures your shares with us.

In October 2008, the standard maximum share 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 \$250,000.¹ 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 share insurance make them more attractive than ever.

2008 Changes

The 2008 changes in NCUA 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 share insurance amount

¹This 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 or interest in the account 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 share 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 share account (e.g., share draft, savings, or share certificate).

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 share 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 share accounts²
- 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 NCUA also changed how it would value a life estate interest in an insured share account that is part of a living trust. The NCUA will value the life estate with the entire remainder balance of the share 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 credit union?

An owner can create any number of revocable trust accounts, by either method, with the same credit union. However, the amounts designated for the same beneficiary by the same owner with the same credit union—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

²The NCUA only insures the share account portion of a living trust.