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## Understanding Your FDIC Coverage

The FDIC (Federal Deposit Insurance Corporation) is an independent agency of the United States government created to protect depositors of FDIC insured banks and savings associations against loss due to the failure of the insured bank. It covers all types of deposits: checking, savings, money market and time deposits like certificate of deposits ("CDs"), dollar-for-dollar up to the insurance limit including principal and accrued interest. The general limit insurance coverage for these accounts is \$250,000 per depositor, per insured bank, for each account ownership category.

If, in one insured bank, a **single depositor** owns a checking account, a savings account and a CD in his or her name alone, the value of the accounts are added together and only \$250,000 of the total sum is insured. Therefore, if you have a total of \$250,000 or less on deposit in all

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## Lessons Learned from Chadwick Boseman

The premature death of "Black Panther" star Chadwick Boseman, a young actor who had such a positive impact on so many lives, serves as a sad reminder of the importance of estate planning.

Shortly before his death, Boseman married his long time fiancé. Boseman's marriage significantly affected the disposition of his estate. When a person dies without a will, as Boseman did, the assets they individually own, on which no beneficiary is designated, are inherited by the decedent's "distributees." The identity of one's distributees depends on a number of factors. If the decedent is married with no children, the spouse is the sole distributee and will inherit everything. If the decedent is not married but has children, the children inherit it all. While many people believe that the assets of a decedent who is survived by both a spouse and children go solely to the spouse, that is incorrect. A spouse and surviving children of a decedent are all distributees and each shares in the estate, the spouse receiving the first \$50,000 and half of the balance and the children sharing the remaining balance. If there is no spouse and no children, the surviving parent(s) are the distributees and receive the assets. If the decedent's parents are not living, the decedent's siblings receive equal shares except, if a sibling has died before the decedent, that share is divided among the children of the deceased sibling(s). Any minor



child will receive his or her share, regardless of its size, on their eighteenth birthday.

Here, Boseman married before his death and had no children. His wife is the sole distributee and will inherit all of the assets he owned in his own name. But what if there were assets, such as joint accounts, that were not owned solely by Boseman? Jointly owned property usually passes, by operation of law, to the surviving owner. Or, what if there had been a beneficiary named on, for instance, a retirement account? Accounts with named beneficiaries such as IRAs, 401Ks and 403Bs, are not subject to the rules of intestacy. Those accounts pass to the person(s) named. The joint ownership/beneficiary designations would control the distribu-

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tion of those accounts even if Boseman had a will.

The way these facts fit together exemplifies why it is so important to engage the help of an experienced estate planning attorney. When we meet with new clients, we do not limit our conversation to the manner in which the client wants the estate to be distributed. We inquire as to all of the assets. We ask how each asset is titled or owned, whether individu-

ally or jointly with another. We ask about beneficiary or “payable on death” designations. We ask to see copies of the beneficiary designations that are on file with the financial institutions to ensure that they reflect the client’s wishes. Clients are frequently shocked to learn that the financial institution’s records do not match their own recollection of what they had directed. This comprehensive review is what helps to ensure that our client’s wishes will be fulfilled.

So, how does this relate to Chadwick Boseman? At the end of his life, there were accounts that designated

beneficiaries other than his wife. He also owned joint accounts, the survivors of which are not his wife. Having left his estate plan to chance, no one can say with certainty whether he had intended for these other persons to inherit or whether he was just not reminded to make the necessary changes.

Do not leave your estate plan to chance. Avoid the mistakes that Chadwick Boseman and so many others have inadvertently imposed on their loved ones. It is as simple as making an appointment for an estate planning consultation. Call us and let us help you get it right.

## NOTICES

### Coming Soon: Ask The Attorney

Our own Kristi DiPaolo will be implementing a monthly Zoom conference to answer questions about Medicaid planning, Medicaid applications, estate planning, probate, and estate and trust administration in the near future. The goal is to address a different topic each month. We would like to give our readers an opportunity to suggest topics that are of interest to them. Please feel free to call, email or drop us a note with your ideas and areas of interest. Further details will be announced by e-blast very soon. Also, to ensure that you receive the dates for these chats, please sign up for our e-blasts or log onto our website periodically.

### For Readers Making Charitable Contributions in 2020

Last year, we advised our readers of a tax savings strategy that involved fund-

ing charitable contributions with their required minimum distributions or “RMDs.” We wish to remind those who anticipate making charitable contributions before year end to review our article entitled [“The Benefits of Using Your IRA to Make Charitable Contributions.”](#) For your convenience we have placed a link to the article on the home page of our website.



### COVID Update

For those of you who have not visited us recently, please be advised that we are back in our offices, having worked remotely

for much of the spring and early summer. We are here to meet your needs in person and have taken extensive measures to ensure the safety of our clients and staff. We wear masks, respect social distancing during in-office meetings and take pains to sanitize all of the surfaces in our conference rooms between meetings. If you would prefer to meet virtually, like many others, we have also incorporated new ways to connect with our clients and potential clients through platforms like Zoom and FaceTime.

Please be aware that documents prepared by our office, and executed under our supervision, are always available. Rapid changes to health can happen, whether because of a global pandemic or during the course of ordinary life. When an emergency occurs, people do not always remember to grab their health care proxies. They cannot always put their hands on their powers of attorney or other important documents. We can help. We have access to securely stored, important documents and can send them directly to health institutions or to our clients upon their request.

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of your accounts at the same insured bank, your deposits are fully protected.

For **joint accounts**, accounts owned by two or more people, under FDIC rules each person's share is considered equal unless otherwise stated in the bank's records. To determine the amount of each joint account holder's insured limit, it is necessary to determine what other accounts the individuals own at that bank. Thus, if Harry and Wendy, husband and wife, together own a savings and a checking account at the same insured bank which total \$500,000, they are fully insured. But if either Harry or Wendy own other accounts at that bank, there may not be sufficient insurance. For example, if Wendy's sister Pam also opens an account at that bank and names Wendy as a joint owner, Wendy will be deemed to own half of Pam's account. If Pam deposits \$100,000 into that account, she will only be insured for \$50,000 because the other \$50,000 will be deemed to

be owned by Wendy whose insurance limit is already exhausted. Using different Social Security numbers on multiple accounts owned by the same individuals does not increase the insurance coverage.

**Payable on death ("POD") or in trust for ("ITF") accounts** are accounts that specify named beneficiaries to receive the proceeds upon the owner's death. If an account is properly titled using the commonly accepted terms above and the beneficiaries are named, the account is insured for up to \$250,000 for each beneficiary, provided that the owner has no other accounts at the same insured bank.

FDIC rules regarding **revocable trusts** or "living trusts" are more complex. They take into consideration many issues such as: whether the trust was created by one or more individuals, the number of beneficiaries or successor beneficiaries (those who receive if a primary beneficiary dies), the number of beneficiaries alive at the time of the bank

failure, whether the beneficiaries receive equal or unequal interests or, if a charity or not-for-profit organization is named, whether it qualifies under IRS regulations. As a general rule, such accounts are insured for up to \$250,000 per owner for each "qualifying" beneficiary named in the trust agreement and, for this reason, owning accounts in a trust may significantly *increase* the available insurance.

Insurance will cover **accounts for irrevocable trusts** as long as the records for the insured bank reveal the existence of the trust relationship and the identity and interest of each beneficiary. Additionally, the amount of each beneficiary's interest must not be contingent as defined by FDIC regulations. For this reason, it is important to provide a copy of the trust agreement to the bank when opening such an account. There is no per-beneficiary coverage for this type of trust if the owner retains the right to use the trust assets. Instead, the amount of the owner's retained interest is added to the owner's other accounts at the same insured bank, if any, and the total insured amount is \$250,000. There is also no per-beneficiary coverage for contingent or non-ascertainable beneficiaries. All such interests would be added together and insured for up to \$250,000.

**Retirement accounts** such as IRAs, Roth IRAs, SEP IRAs, Section 457 deferred compensation plans, self-directed 401(k) plans and self-directed Keogh plans also have limits on insurance: \$250,000 per owner per insured bank. Naming multiple beneficiaries does not increase the insurance coverage for these types of accounts.

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What happens when two insured banks merge? The FDIC affords a grace period of six months, during which the deposits from the assumed bank continue to be separately insured. This gives the depositor time to restructure or move accounts. CDs are insured until the earliest maturity date after the six month grace period expires.

Periodically review your coverage, especially after a change in your life. For example, if a couple has a \$500,000 joint account which is fully insured and one of them dies, the survivor has six months to re-

structure the account. After that, the entire account is limited to the \$250,000 applicable to the survivor's single-ownership account and the balance is at risk if the bank fails.

Beware, the FDIC does not insure **stocks, bonds, mutual funds, life insurance policies or annuities** even if they were purchased from an insured bank. It also does not insure U.S. Treasury bills, bonds or notes but these are separately backed by the full faith and credit of the U.S. government. Contents of safe deposit boxes also are not protected by FDIC insurance. If you have further questions concerning FDIC insurance or the best way to title your accounts, please call Berwitz & DiTata LLP.

### Would You Like To Read About It Here?

We at Berwitz & DiTata LLP are proud of our newsletter and hope that each issue brings our clients and friends insightful and timely information. We endeavor to write articles geared to your interests and concerns. We would be happy to receive your feedback. More importantly, if you have a question or would like us to address a particular topic, please call and let us know. We will try to include it in one of our next issues. Just call or drop us a line.

This newsletter does not constitute the provision of legal or tax advice.  
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