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FDIC Insurance Coverage Rule Change – Existing and New Trust Accounts

As of April 1, 2024, the maximum FDIC insurance coverage for a trust owner with five (5) or more beneficiaries is $1,250,000 per owner for all trust accounts held at the same bank. Irrevocable trust and revocable trust coverage categories are now combined into a single category called "Trust Accounts".[1]

The new Trust Accounts category includes:

- Formal Revocable Trust. Known as living or family trusts, these are written trusts for estate planning purposes. The owner controls the deposits in the trust during their lifetime. The trust directs that deposits are paid to one or more identified beneficiaries upon the owner's death and typically becomes irrevocable upon the owner's death.
- Informal Revocable Trust. Known as Totten Trusts, Payable on Death (POD), In Trust For (ITF), or Trustee accounts, these trusts are created when the account owner signs a deposit account agreement, directing the bank to transfer the funds in the account to one or more named beneficiaries upon the owner's death.
- Irrevocable Trust. A trust established by statute or a written trust agreement in which the owner contributes deposits or other property to the trust and gives up all power to cancel or change the trust.

Action Required

- If your total deposits are $250,000 or less per bank OR you do not have deposit accounts in the Trust Account category, you are NOT directly impacted by this rule change.

- You should review your accounts and consider adjusting if:
  - you aggregate your trust accounts that would be insured in the new combined Trust Account category, both revocable (formal or informal) and irrevocable, by owner; AND
  - the aggregate account balance in your aggregated accounts exceeds $250,000 multiplied by the number of unique, eligible beneficiaries, or $1,250,000 total for accounts with five or more beneficiaries.

Under the Trust Account category, each trust owner will be insured up to $250,000 per unique (different) eligible primary beneficiary, up to a maximum of $1,250,000 for five (5) or more beneficiaries.[2] *When calculating coverage for Trust Accounts the FDIC uses the formula: # of Owners x #of Beneficiaries x $250,000 = Amount Insured (not to exceed $1,250,000 per owner for all Trust Accounts).* Below are some examples of how the FDIC calculates deposit insurance for Trust accounts.

The FDIC Electronic Deposit Insurance Estimator (EDIE) is a simple tool that can help you calculate your deposit insurance coverage. It is available at https://edie.fdic.gov.

If you have a complex trust structure you would like to discuss or any questions regarding FDIC insurance coverage, please contact any of our branch offices or the FDIC directly at 1-877-275-3342.

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[1]The calculation is the same calculation that the FDIC first adopted in 2008 for revocable trust accounts with five or fewer beneficiaries.

[2] This limit applies to the combined interests of all beneficiaries the owner has named in revocable and irrevocable trust accounts at the same bank. An "eligible" beneficiary can be any living person or an IRS-recognized charity/non-profit. Only "primary" (not contingent) beneficiaries count. A trust owner can identify as many beneficiaries as they like; however, for deposit insurance purposes, a trust account owner that identifies five or more eligible beneficiaries will not be insured beyond $1,250,000 per bank. In calculating coverage, a beneficiary only counts once per owner, even if the same beneficiary is included multiple times on trust accounts at the same bank.

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Trust Account FDIC Insurance Coverage Examples

Multiple Trust Accounts – 5 or more Beneficiaries

Account Title	Owner	Beneficiaries	Deposit Type	Account Balance
John Jones (Living Trust)	John	Jack, Janet, Ron, Sue, Bob	MMDA	$10,000
John Jones (POD)	John	Jack, Janet	Savings	$20,000
John Jones (Irrevocable Charitable Trust)	John	IRS-recognized charity	CD	$1,250,000
Total				**$1,280,000**
Amount Insured				**$1,250,000**
Amount Uninsured				**$30,000**

John Jones has three trust accounts – one formal revocable trust, one informal revocable trust, and one irrevocable trust at the same insured bank. Between these three trust accounts, John has named six eligible beneficiaries (five different people and a charity). Even though six beneficiaries are named, the maximum insurance coverage is calculated as follows: 1 owner x 5 beneficiaries x $250,000 = $1,250,000. John Jones has $30,000 uninsured because his total balance is $1,280,000, which exceeds the insurance limit by $30,000.

Multiple Trust Accounts – less than 5 Beneficiaries

Account Number	Account Owner(s)	Account Beneficiaries	Account Balance
1	Paul & Lisa Li (Living Trust)	John & Sharon Li	$700,000
2	Lisa Li (POD)	Sharon & Bill Li	$450,000

Owners	Beneficiaries	Share	Insured	Uninsured
Paul	John, Sharon	$350,000	$350,000	$0
Lisa	John, Sharon, Bill	$ 800,000	$750,000	$50,000
Total		**$1,150,000**	**$1,100,000**	**$50,000**

Account Number	Account Owner(s)	Account Beneficiaries	Account Balance
1	Paul & Lisa Li (Living Trust)	John & Sharon Li	$700,000
2	Lisa Li (POD)	Sharon & Bill Li	$450,000

Owners	Beneficiaries	Share	Insured	Uninsured
Paul	John, Sharon	$350,000	$350,000	$0
Lisa	John, Sharon, Bill	$ 800,000	$750,000	$50,000
Total		**$1,150,000**	**$1,100,000**	**$50,000**

Each owner's share of each trust account is added together and each owner receives up to $250,000 of insurance coverage per eligible beneficiary. Paul's share: $350,000 (50% of Account 1) Lisa's share: $800,000 (50% of Account 1 and 100% of Account 2) Because Paul named two eligible beneficiaries, his maximum insurance coverage is $500,000 ($250,000 x 2 beneficiaries). Since his share of Account 1 ($350,000) is less than $500,000, he is fully insured. Because Lisa has named three eligible beneficiaries between Accounts 1 and 2, her maximum insurance coverage is $750,000 ($250,000 x 3 beneficiaries). Since her share of both accounts ($800,000) exceeds $750,000, she is uninsured for $50,000.