

Dow Jones Reprints: This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit [www.djreprints.com](http://www.djreprints.com)

See a sample reprint in PDF format.

Order a reprint of this article now

## **THE WALL STREET JOURNAL.**

[WSJ.com](http://WSJ.com)

SEPTEMBER 18, 2008

# Your Cash: How Safe Is Safe?

*Savers Find Ways to Boost Their Deposit Insurance; PODs, CDARS and CDs*

By JANE J. KIM

As the financial system reels from one disaster after another, financial planners, estate planners and bank officials say they've been receiving calls from panicked savers concerned about the safety of their deposits.

The Federal Deposit Insurance Corp. guarantees bank deposits up to \$100,000 per person, per insured institution. But what if you have a lot more cash than that?

For years, savers have gotten around the FDIC's \$100,000 limit by spreading their cash across multiple institutions. It's certainly safe, but it's an onerous process. Now, growing numbers of people are turning to other means that allow them to keep hundreds of thousands of dollars safely stowed away under FDIC protection.

One product that has been attracting attention lately is an informal trust account known as a "payable on death," or POD, account. To set up a POD account, depositors must name a beneficiary or beneficiaries who will receive money if the primary account holder dies. For each qualified beneficiary, the FDIC will boost insurance coverage by up to \$100,000.

Other strategies include:

**Brokered CDs.** Buying multiple certificates of deposit at once through a brokerage firm provides a fast way to spread out money across different institutions, capturing the full FDIC protection.

In recent weeks, Dan Kohn of New York started using brokered CDs through Vanguard Group's Vanguard Brokerage Services as a way to quickly spread out his money across different banks. He could probably find higher yields by searching for local deals, but brokered CDs provide a "mixture of convenience and safety," says the 35-year-old Mr. Kohn, the chief operating officer of the Linux Foundation, a nonprofit group that promotes the use of the Linux computer operating system. "I don't want to set up eight new accounts."

**CDARS.** This deposit-placement service, short for Certificate of Deposit Account Registry Service, disperses deposits into different individual CDs of up to \$100,000 each, up to a maximum covered amount of \$50 million. Customers deposit their money with a participating bank, and CDARS -- which is run by the Promontory Interfinancial Network LLC in Arlington, Va. -- disperses the deposit in individual CDs up to \$100,000 in 2,350 member banks across the country.

**Retirement accounts.** Money deposited in IRAs, Roth IRAs and certain other retirement plans is insured up to \$250,000.

**Joint accounts.** Deposit accounts owned by two or more people are insured up to \$100,000 for each account holder listed.

**Credit unions.** Deposit insurance for credit unions works in much the same way as FDIC insurance does for banks and thrifts, except that the funds are insured by the National Credit Union Share Insurance Fund.

**Revocable trusts.** Under this estate-planning strategy, the owner assigns beneficiaries but retains control of the assets during his lifetime. The FDIC insures the interests of each beneficiary up to \$100,000 each. Some are formal trusts, which are typically set up by an estate attorney. Others, such as POD accounts, can be created when the account owners add certain terms and the names of the beneficiaries to the bank's account records.

William Wright, a financial planner in Wichita, Kan., says he's working with one client who has over \$1 million at a local bank to move the money into other types of deposit accounts, such as trust and joint accounts, and products such as annuities.

On the basis of ease alone, POD accounts appear to be finding a larger audience lately. The FDIC doesn't publish data on the number of these accounts, but the agency confirms it is getting more questions from consumers about how to set them up and has been seeing more of them on the books when it takes over banks after they fail. So far this year, there have been 11 bank failures, and 117 banks that were on the Federal Deposit Insurance Corp.'s "watch list" at the end of the second quarter.

Last spring, Robert Ring of Boise, Idaho, added his three children as beneficiaries to a money-market deposit account at IndyMac Bank. That meant his account, which totaled \$300,000 at the time, was fully insured.

Thanks to that move, "it was a total nonevent for me" when IndyMac collapsed in July, says the 39-year-old software engineer. "I heard about the closure on a Friday afternoon, and all my money -- about \$150,000 at the time -- was there the following Monday." He's also using PODs to protect money he's parked in a savings account at Alliant Credit Union in Chicago.

For savers, PODs can be a quick way to extend their FDIC coverage without the hassle and paperwork of opening multiple accounts across several institutions. "It's a convenience factor," says Mr. Ring. "You can get your FDIC coverage by setting up accounts at six different banks, but that's just a headache, come tax time, with all the extra paperwork and 1099s you have to wait for."

POD accounts do come with certain limitations. For starters, only certain relatives count as qualified beneficiaries. Spouses, children, grandchildren, parents and siblings are OK. Nieces, nephews and grandparents aren't. The depositor retains control of the account until his death, in which case the money is distributed to the beneficiaries.

When the POD account contradicts the depositor's will, it can send family members to court to fight over the estate. Austin Frye, a financial planner and estate attorney in Aventura, Fla., says he's seen cases where clients inadvertently disinherited their children in a POD account.

Mr. Frye recalls one case in which one of his clients had been added to his father's CD to help manage the account. When the father died, the money in the CD went directly to that son -- even though his will had specified that the money was to be split equally between the custodial son and another son who lived out of state.

"You could ruin your estate plan," Mr. Frye says. "The courts are loaded with these cases."

Geoff Sauter of Dover, Mass., says he got some conflicting advice on how to set up a POD account. Based on the advice of one representative at T. Rowe Price Group Inc., he decided to add his wife and three children to a CD to make sure his \$400,000 was fully covered. A few days later, after his wife's broker questioned that strategy, he called back the firm and spoke with a different person who told him his deposits weren't fully covered. "So I panicked and started calling other people," he says.

The 58-year-old engineering-firm salesman says T. Rowe Price eventually got back to him and told him that his money was, in fact, fully covered. "Apparently, there is some confusion in the industry," he says.

"It's unfortunate that in the course of several conversations, Mr. Sauter was given some conflicting information," says Brian Lewbart, a spokesman for T. Rowe Price. "But in the end, we're certainly pleased he ended up with the correct information."

Despite the multitude of options, many savers still choose to spread their risk around by simply opening accounts at different banks. D.C. Harris, a retired accountant who lives in the San Francisco Bay area, had her money parked in a CD at Wachovia Corp. But worries about the solvency of that bank and others, such as Washington Mutual Inc., recently prompted her to put her savings in CDs at other banks, including Citigroup Inc.'s Citibank.

"I'm more scared than I've been in my life about our economy and our banks," says the 65-year-old. "I'm thinking about moving my money to United Bank of the Mattress."

**Write to** Jane J. Kim at [jane.kim@wsj.com](mailto:jane.kim@wsj.com)

Copyright 2008 Dow Jones & Company, Inc. All Rights Reserved  
This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our Subscriber Agreement and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit [www.djreprints.com](http://www.djreprints.com)