# TRUST ACCOUNTS (12 C.F.R. § 330.10)

## Disclaimer

This section explains FDIC insurance coverage for trust accounts and is not intended as estate planning advice or guidance. Depositors should contact a legal or financial advisor for assistance with estate planning.

## I. Definition

As of **April 1, 2024**, the FDIC's regulation at 12 C.F.R. § 330.10 governs coverage for deposits of both **revocable trusts and most irrevocable trusts**, including:

1. **Informal Revocable Trusts** - trusts under which a deposit passes directly to one or more beneficiaries upon the depositor's death without a written trust agreement. These trusts are commonly referred to as payable on death ("POD"), in trust for ("ITF"), as trustee for ("ATF"), transfer on death ("TOD") or Totten trust accounts. They are created when an account owner signs an agreement with the IDI directing the IDI to transfer the funds in the account to one or more named beneficiaries upon the owner's death.
2. **Formal Revocable Trusts** – revocable trusts established by a written trust agreement under which a deposit passes to one or more beneficiaries upon the owner's death. These are often referred to as "living trusts" or "family trusts," and generally are created for estate planning purposes. Under the agreement, the owner controls the deposits and other assets in the trust during his or her lifetime. Formal revocable trust agreements sometimes refer to the trust owner as the grantor, settlor, trustor, maker, or donor.
3. **Irrevocable Trusts** – irrevocable trusts established by statute or by 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. An irrevocable trust also may come into existence upon the death of an owner of a formal revocable trust.

***Trust Deposits Insured Under Other Categories***

The following trust deposits are excluded from the Trust Accounts category described here, and are instead insured under one of the FDIC's other deposit insurance categories:

- Deposits of employee benefit plans, even if held in connection with a trust, are insured as Employee Benefit Plan Accounts under 12 C.F.R. § 330.14.
- Deposits such as Individual Retirement Accounts (IRAs) that name beneficiaries are insured as Certain Retirement Accounts under 12 C.F.R. § 330.14.
- Deposits of certain trusts classified as corporations are insured as Business/Organization Accounts under 12 C.F.R. § 330.11(a)(2).

- Deposits held by an IDI in its capacity as trustee of an irrevocable trust are insured as provided by 12 C.F.R. § 330.12.
- Interest on Lawyers' Trust Accounts would generally be insured on a pass-through basis to each client of the attorney or law firm, as provided by 12 C.F.R. § 330.5 and § 330.7.

For additional information on the coverage available in each of these categories, see the relevant sections of this Guide.

## II. Insurance Limit

An owner's trust deposits are insured for up to $250,000 per eligible beneficiary, up to a maximum of $1,250,000 if five or more eligible beneficiaries are named. Allocations of the deposited funds among the trust's beneficiaries do not factor into this calculation.

The FDIC's regulations do not limit the number of beneficiaries that a trust owner identifies for their estate planning purposes, and do not affect the distribution of trust funds under state law. However, if a trust owner has identified more than five eligible beneficiaries for a trust account, the owner will not be insured beyond $1,250,000 for deposits at that IDI.

While beneficiaries factor into the calculation of deposit insurance coverage for Trust Account deposits, this does *not* mean that the FDIC considers the beneficiaries to be the owner(s) of the deposited funds. In the event of an IDI's failure, the FDIC pays deposit insurance to the trust's owner (assuming that he or she is still alive) rather than making payment to the designated beneficiaries.

### *Trust Accounts Combined for Deposit Insurance Purposes*

All deposits that a depositor holds in informal revocable trusts, formal revocable trusts, and irrevocable trusts at the same IDI are added together for deposit insurance purposes, and the deposit insurance limit is applied to the combined total. Formal trusts often govern the distribution of assets other than deposits held at an IDI, but the FDIC does not consider non-deposit assets in calculating deposit insurance coverage.

### *Multiple Trust Account Owners*

If a trust has multiple owners, each owner's insurance coverage is calculated separately. Deposit insurance coverage for each trust owner is calculated by multiplying $250,000 times the number of eligible beneficiaries, with an overall maximum insurance amount of $1,250,000 per owner if five or more eligible beneficiaries are named. Unless otherwise specified in the IDI's deposit account records, the FDIC presumes that the deposit is owned by each owner in equal shares.

***Calculation of Coverage***

**The FDIC generally calculates deposit insurance coverage for trust accounts using the following formula:**

**# of Owners x # of Beneficiaries x $250,000 = Amount Insured**
**(not to exceed $1,250,000 per trust owner for all trust accounts)**

| **Maximum Insurance Coverage per Trust Owner** | |
|---|---|
| **Number of Eligible Beneficiaries** | **Maximum Deposit Insurance Coverage** |
| 1 Beneficiary | $250,000 |
| 2 Beneficiaries | $500,000 |
| 3 Beneficiaries | $750,000 |
| 4 Beneficiaries | $ 1,000,000 |
| **5 or More Beneficiaries** | **$ 1,250,000** |

## III. Requirements

### 1. Informal Revocable Trusts – Beneficiaries Must be Named in the IDI's Records

For an informal revocable trust account, such as a payable on death account, to be insured under the Trust Accounts category, the beneficiaries must be specifically named in the IDI's deposit account records. This does not necessarily mean that beneficiary names must appear in the account title; they may be located elsewhere in the IDI's deposit account records.

Note that the requirement to name beneficiaries in the IDI's deposit account records applies only to *informal* revocable trusts. This does not apply to deposits of formal trusts, where beneficiaries are often identified in the formal trust agreement.

### 2. Formal Revocable Trusts – IDI's Records Must Identify Trust Account

For a formal revocable trust account, such as a deposit held in the name of a living trust, to be insured under the Trust Accounts category, the account title must include terminology sufficient to identify the account as a trust account, or the IDI's deposit account records must otherwise identify the account as belonging to a testamentary trust. For example, the account titling may include words such as "living trust" or "family trust."

Note that the FDIC's deposit insurance regulations do not require IDIs to maintain copies of depositors' trust agreements, but may request a copy should the IDI holding the deposit fail.

**3. Irrevocable Trusts – IDI's Records Must Identify Trust Account**

For an irrevocable trust account to be insured under the Trust Accounts category, the account title must include terminology sufficient to identify the account as a trust account, or the IDI's deposit account records must otherwise identify the account as belonging to a trust.

Note that the FDIC's deposit insurance regulations do not require IDIs to maintain copies of depositors' trust agreements, but may request a copy should the IDI holding the deposit fail.

## IV. Who is Counted as a Beneficiary for Deposit Insurance Purposes?

***Eligible Beneficiaries***

As explained above, deposit insurance coverage for the Trust Accounts category is based upon the number of eligible beneficiaries that have been named. For informal revocable trusts, this is the number of eligible beneficiaries specifically named in the IDI's deposit account records. For formal trusts, this is typically the number of eligible beneficiaries designated in the trust agreement.

To be considered an eligible beneficiary for purposes of calculating deposit insurance coverage, the beneficiary must be one of the following:

- A natural living person (human being);
- A charitable organization (that is recognized as such under the Internal Revenue Code); or
- A non-profit entity (that is recognized as such under the Internal Revenue Code).

***Designating an Ineligible Beneficiary***

Trust owners may designate beneficiaries in their trusts that are not eligible beneficiaries under the FDIC's deposit insurance rules. For example, ineligible beneficiaries include for-profit business entities and pet trusts. The FDIC's rules do not affect distribution of trust funds to such beneficiaries under state law. However, designation of an ineligible beneficiary does not add to the trust owner's amount of deposit insurance coverage.

***Primary and Contingent/Secondary Beneficiaries***

For purposes of the FDIC's deposit insurance rules, a beneficiary is a person or entity entitled to an interest in deposited funds upon the owner's death. Such beneficiaries are also referred to as "primary" beneficiaries.

Sometimes a trust agreement will provide that if a primary beneficiary predeceases the owner, the deceased beneficiary's share will instead pass to an alternative or contingent beneficiary. Regardless of such language, if the primary beneficiary is alive at the time of an IDI's failure, the FDIC only takes into account the primary beneficiary when it calculates deposit insurance coverage.

### *Unique Beneficiaries*

Sometimes a trust owner establishes multiple trusts that name the same beneficiary or beneficiaries. However, each beneficiary may only be counted once for that particular trust owner at the same bank when the FDIC calculates deposit insurance coverage.

For example, assume a trust owner establishes a payable on death account at an IDI, naming her two children as beneficiaries, and also establishes a formal trust naming the same two children as beneficiaries. If both trusts include deposits at the same IDI, the owner's deposits at this bank would have only two beneficiaries, rather than four.

### *"Off the Top" and Life Estate Beneficiaries*

The FDIC does not distinguish between beneficiaries who receive distributions "off the top" and beneficiaries who receive a percentage of the deposited funds. Thus, if a trust agreement provides for payments of deposited funds to one or more beneficiaries before the distribution of the balance of the funds, both the beneficiaries receiving the "off the top" distribution and those receiving the balance of the trust deposits are counted when calculating deposit insurance coverage. However, if the *same* beneficiary receives both an "off the top" distribution of deposited funds and shares in the residual deposited funds, that beneficiary's total interests are added together.

A common situation in trust agreements is the establishment of a life estate beneficiary (often a surviving spouse). This person has the right to receive income or use of some or all of the trust assets during his or her lifetime, with the remaining trust assets passing to remainder beneficiaries upon the life estate beneficiary's death. In such cases, both the life estate beneficiary and remainder beneficiaries are counted when calculating deposit insurance coverage.

### *Owner's/Grantor's Retained Interest*

As of April 1, 2024, an owner's/grantor's retained interest in an irrevocable trust does not impact the insurance coverage of the trust.

### *Owners/Grantors cannot be beneficiaries of the same trust*

For the purposes of calculating deposit insurance coverage, an owner/grantor cannot also be a beneficiary of the same trust.

However, FDIC's rules do not affect distribution of trust funds to beneficiaries under state law, and do not in any way prevent a trust owner from retaining an interest in a trust.

### *Beneficiaries of a Formal Trust that are not Specifically Named*

The FDIC's rules do not require beneficiaries of a formal trust to be specifically named in the trust agreement, but the designation must be specific enough to clearly identify the intended beneficiary.

For example, it is sufficient for a trust to designate "my children and grandchildren" as beneficiaries. Designations such as "my issue" or "descendants per stirpes" are also acceptable. However, a designation such as "my family" is not specific enough to determine the intended beneficiaries.

In some instances, a formal trust provides that the funds go to the persons named as beneficiaries of the trust owner's Last Will and Testament. In the event the FDIC needs to make a deposit insurance determination for a deposit held by such a trust, it would require a copy of the relevant Last Will and Testament to be provided along with a copy of the trust to ascertain the beneficiaries of the trust.

### *Trustee and Successor Trustee Designations*

The FDIC's calculation of deposit insurance coverage for Trust Accounts is based upon the owners (e.g. grantor(s), trustor(s) or settlor(s) and the beneficiaries of the trust. The designation of a trustee, or one or more successor trustees do not factor into the deposit insurance calculation. Please note that the owner of a trust may, or may not, also be designated as a trustee for the trust.

### *No Eligible Beneficiaries are Named*

In the unlikely event that a trust owner has not named *any* eligible beneficiaries for his or her trust, the trust's deposit accounts would not be deemed to satisfy the requirements of the Trust Accounts category. Deposit insurance would still be available for the deposit in one of the other insurance categories – most likely the Single Accounts category if the deposit was held by one person. This could result in a depositor inadvertently exceeding the $250,000 deposit insurance limit for that category.

## V. Trusts Named as Beneficiaries of Trusts

### *Informal Trust Designating a Formal Trust as a Beneficiary*

A depositor might establish a payable on death account at an IDI, naming the depositor's formal trust as the only beneficiary for the account. In such cases, the FDIC will treat the informal revocable trust account as if it were titled in the name of the formal trust. This means that the trust account will be insured based on the beneficiaries named in the depositor's formal trust, but only if there is such mutuality (meaning the account owner is the same as the trust owner).

**However, if a depositor's informal trust designates as a beneficiary a formal trust that is not owned (either wholly or in part) by the depositor, the FDIC will not treat the informal trust as if it is held in the name of the formal trust.**

Below are examples of informal trusts designating a formal trust as a beneficiary, where the account would be insured as if held in the name of the formal trust:

1. Jane Doe POD Jane Doe's Revocable Trust
2. John Doe POD John Doe's Revocable Trust
3. John and Jane Doe POD John and Jane Doe's Revocable Trust

***Future Trusts Designated as Beneficiaries***

In some trust structures, a trust agreement provides that trust funds will pass into one or more new trusts (e.g. a special needs trust, or sub trusts such as A/B trusts) that are created upon the owner's death. Those trusts, in turn, have one or more beneficiaries. In such cases, the FDIC treats the trust that will be created in the future as a mechanism for distributing trust funds, rather than as a beneficiary. The FDIC would consider the beneficiaries of the future trust – that is, any natural persons or organizations that will receive the trust funds through the future trust – to be the beneficiaries of the existing trust for purposes of calculating deposit insurance coverage.

## VI. Specific Trust Situations

***Death of a Trust Owner***

The death of an account owner can affect deposit insurance coverage, often reducing the amount of coverage applicable to a family's deposit accounts. To ensure that families have time to deal with the death of a family member and restructure accounts (if necessary), the FDIC's regulations provide a six month grace period where an account is insured as if the owner were still alive. *See* 12 C.F.R. 330.3(j). This six-month grace period also applies to the death of a trust owner.

### For Example

If two trust owners hold a payable on death account at an FDIC-insured bank with three named beneficiaries, the deposit account would be insured for up to $1,500,000 in total while both owners are alive, using the following calculation:

**2 owners x 3 beneficiaries x $250,000 = $1,500,000**

If one of the trust's owners were to die, the account would remain insured for up to $1,500,000 for a period of six months following the owner's death, assuming the account was not restructured during this period. After the six-month grace period ends, coverage would be calculated as follows:

**1 owner x 3 beneficiaries x $250,000 = $750,000**

***Death of a Trust Beneficiary***

While the FDIC's deposit insurance regulations provide a six-month grace period that applies to the death of an account's *owner*, this does not apply to the death of a named *beneficiary.* This means that the death of a beneficiary may result in an immediate reduction in coverage for trust deposit accounts. However, if the trust includes a designation of a successor beneficiary, the FDIC would consider the successor beneficiary as part of the analysis in the event the primary beneficiary was deceased.

***Coverdell Education Savings Accounts***

A Coverdell Education Savings Account is insured as an irrevocable trust account. Although this account is referred to as an Education IRA, the account does not involve retirement and, therefore, is not insured as a self-directed retirement account. It is an irrevocable commitment created for the purpose of paying qualified education expenses of a designated beneficiary. This type of account is insured as an irrevocable trust account up to $250,000.

## VII. Common Misconceptions

***"Counting Heads" to Calculate Coverage***

Depositors and bankers sometimes mistakenly believe that deposit insurance coverage for trust accounts is calculated by counting every name associated with an account and multiplying that number by $250,000, similar to the regulations that apply to the Joint Accounts category. **Applying this calculation would be incorrect.**

For example, a depositor who is the sole owner of a payable on death account with one named beneficiary might **mistakenly** conclude that because there are two individuals associated with the account (the owner and the beneficiary), deposit insurance coverage for that account should be $500,000.

As explained above, under the rules governing coverage for trust accounts, coverage is determined by **multiplying** the number of owners times the number of beneficiaries, times $250,000 to arrive at the insured amount (which may not exceed $1,250,000 per trust owner). Thus, a deposit with one owner and one named beneficiary would be insured for $250,000.

**The proper calculation is 1 owner x 1 beneficiary x $250,000 = $250,000**

***Trustee and Successor Trustee Designations***

Depositors sometimes mistakenly believe that coverage is affected by the designation in a formal trust agreement of one or more trustees or successor trustees. **This is incorrect.** As explained above, the FDIC calculates coverage for trust accounts based upon the *owners* and *beneficiaries* of the trust. Trustee designations generally do not affect deposit insurance coverage.

Depositors should note that it is possible for a person to be both the *owner* and the *trustee* of a formal trust, but the designation as a trustee is not used by the FDIC in calculating deposit insurance coverage. In such instances, that person may factor into the calculation of deposit insurance coverage, but only because he or she is the *owner* of the formal trust, and each owner is insured up to the limit provided in the deposit insurance rules.

## VIII. Examples of Trust Account Coverage

| Example 9 – Depositor with Both Revocable and Irrevocable Trusts | | | | |
|---|---|---|---|---|
| **Account Title** | **Owner** | **Beneficiaries** | **Deposit Type** | **Account Balance** |
| Alice Doe POD | Alice Doe | Child 1, Child 2, and Child 3 | CD | $500,000 |
| Alice Doe Irrevocable Trust | Alice Doe | Child 1, Child 2, and Child 3 | DDA | $300,000 |
| **Total** | | | | **$800,000** |

**Facts:**

Alice Doe is the owner of a payable on death account at an insured bank with three named beneficiaries – Child 1, Child 2, and Child 3 (who are all living individuals) – with a balance of $500,000. Alice Doe has also established an irrevocable trust naming these same three beneficiaries – Child 1, Child 2, and Child 3. The trust maintains a deposit account with a balance of $300,000 at the same insured bank. Assuming that Alice Doe does not maintain any other trust accounts at the same bank, what is the level of coverage for these deposit accounts?

**Answer:**

Both the payable on death account and the irrevocable trust account are insured under the Trust Accounts category. This means that the two accounts' balances would be added together for purposes of determining deposit insurance coverage. In this case, the balances of the two trust accounts total $800,000. It does not matter that some of the deposits are held in a revocable trust account and some are held in an irrevocable trust account.

Alice Doe has named three individuals as beneficiaries of trust deposits at the same insured bank. Under the FDIC's rules, an owner's trust deposits are insured for up to $250,000 per eligible beneficiary, up to a maximum of $1,250,000 if five or more eligible beneficiaries are named. Alice's trust account coverage is calculated as follows:

**1 owner x 3 beneficiaries x $250,000 = $750,000**

Here, Alice Doe's trust accounts at the same bank total $800,000, but coverage is $750,000. This means that Alice Doe is insured for $750,000, with the remaining $50,000 uninsured.

| Example 10 – More than Five Beneficiaries Named | | | | |
|---|---|---|---|---|
| **Account Title** | **Owner** | **Beneficiaries** | **Deposit Type** | **Account Balance** |
| Ben Doe Revocable Trust | Ben Doe | 1, 2, 3, 4, 5, 6, and 7 | DDA | $1,750,000 |
| **Total** | | | | **$1,750,000** |

**Facts:**

Ben Doe is the owner of a deposit account at an insured bank titled in the name of Ben Doe's formal revocable trust. The trust names seven beneficiaries (who are all individuals). The deposit account's balance is $1,750,000. Assuming that Ben Doe does not maintain any other trust accounts at this same bank, what is the level of coverage for this deposit?

**Answer:**

The revocable trust deposit account would be insured under the Trust Accounts category.

Ben Doe has named seven individuals as beneficiaries of trust deposits at the same insured bank. Under the FDIC's rules, an owner's trust deposits are insured for up to $250,000 per eligible beneficiary, up to a maximum of $1,250,000 if five or more eligible beneficiaries are named.

This means that Ben Doe is insured for $1,250,000, with the remaining $500,000 uninsured.

Note that the deposit insurance rules do not affect the distribution of funds upon Ben Doe's death, and trust funds could be distributed to all seven named beneficiaries. The FDIC's rules only affect the level of deposit insurance coverage that would apply to the deposit in the unlikely event of a bank failure.

| Example 11 – Revocable and Irrevocable Trusts with Different Beneficiaries | | | | |
|---|---|---|---|---|
| **Account Title** | **Owner** | **Beneficiaries** | **Deposit Type** | **Account Balance** |
| Carol Doe Revocable Trust | Carol Doe | Child 1, Child 2, and Child 3 | Savings | $600,000 |
| Carol Doe Irrevocable Trust | Carol Doe | Child 4, Child 5, and Child 6 | CD | $500,000 |
| **Total** | | | | **$1,100,000** |

**Facts:**

Carol Doe is the owner of a $600,000 savings account at an insured bank held in the name of a formal revocable trust. The formal revocable trust names three beneficiaries – Child 1, Child 2, and Child 3 (who are all individuals). Carol Doe also established an irrevocable trust that names three different beneficiaries – Child 4, Child 5, and Child 6 (who are also individuals). The irrevocable trust maintains a $500,000 CD account at the same insured bank. Assuming that Carol Doe does not maintain any other trust accounts at this bank, what is the level of coverage for these deposit accounts?

**Answer:**

Both the formal revocable trust account and the irrevocable trust account are insured under the Trust Accounts category. This means that the two accounts' balances would be added together for purposes of determining deposit insurance coverage.

In this case, the balances of the two trust accounts total $1,100,000. It does not matter that some of the deposits are held in the name of a revocable trust, while some are held in the name of an irrevocable trust.

Carol Doe has named six individuals as beneficiaries of trust deposits at the same insured bank. It does not matter that under the terms of the relevant trusts, some beneficiaries might receive a greater share of the trust funds than others. Under the FDIC's rules, an owner's trust deposits are insured for up to $250,000 per eligible beneficiary, up to a maximum of $1,250,000 if five or more eligible beneficiaries are named.

Here, Carol Doe's trust accounts total $1,100,000, which is less than the maximum of $1,250,000 for a trust owner with five or more beneficiaries. This means that the full balance of $1,100,000 is insured by the FDIC.

Note that the deposit insurance rules do not affect the distribution of funds upon Carol Doe's death, and trust funds could be distributed to all six named beneficiaries. The FDIC's rules only affect the level of deposit insurance coverage that would apply to the deposit.

**Example 12 – Revocable Trusts (Formal and Informal, with Multiple Owners)**

| Account Title | Owners | Beneficiaries | Deposit Type | Account Balance |
|---|---|---|---|---:|
| John and Jane Doe Revocable Trust | John and Jane Doe | Child 1, Child 2, and Child 3 | Savings | $1,500,000 |
| John and Jane Doe POD | John and Jane Doe | Child 4, Child 5, and Child 6 | MMDA | $500,000 |
| **Total** | | | | **$2,000,000** |

**Facts:**

John and Jane Doe own a $1,500,000 savings account at an insured bank held in the name of their formal revocable trust. Their formal revocable trust names three beneficiaries – Child 1, Child 2, and Child 3 (who are all individuals). John and Jane Doe also own a $500,000 payable on death account at the same bank that names three different beneficiaries – Child 4, Child 5, and Child 6 (who are also individuals). Assuming that John and Jane Doe do not maintain any other trust accounts at this bank, what is the level of coverage for these deposit accounts?

**Answer:**

Both the formal revocable trust account and the payable on death account are insured under the Trust Accounts category.

This means that the two accounts' balances would be added together for purposes of determining deposit insurance coverage.

In this case, the balances of the two trust accounts total $2,000,000. It does not matter that some of the deposits are held in the name of a formal revocable trust, while some are held in a payable on death account.

John and Jane Doe have named six individuals as beneficiaries of their trust deposits at the same insured bank. It does not matter that some beneficiaries might receive a greater share of the trust funds than others. Under the FDIC's rules, an owner's trust deposits are insured for up to $250,000 per eligible beneficiary, up to a maximum of $1,250,000 if five or more eligible beneficiaries are named. If a trust deposit has multiple owners, each owner receives separate coverage up to this limit.

Here, the trust accounts total $2,000,000, which is less than the maximum of $2,500,000 ($1,250,000 per owner) in insurance coverage that could apply for John and Jane Doe collectively. This means that the full balance of $2,000,000 is insured by the FDIC.

Note that the deposit insurance rules do not affect the distribution of funds upon the death of the depositors, and trust funds could be distributed to all six named beneficiaries. The FDIC's rules only affect the level of deposit insurance coverage that would apply to the deposits should the IDI fail.

| Example 13 – POD, Formal Revocable, and Irrevocable Trusts with Multiple Owners | | | | |
|---|---|---|---|---|
| **Account Title** | **Owners** | **Beneficiaries** | **Deposit Type** | **Account Balance** |
| Husband and Wife Revocable Trust | Husband and Wife | Child 1, Child 2, and Child 3 | Savings | $1,500,000 |
| Husband and Wife POD | Husband and Wife | Child 1, Child 2, and Child 3 | MMDA | $500,000 |
| Husband and Wife Irrevocable Trust | Husband and Wife | Child 1, Child 2, and Child 3 | CD | $300,000 |
| **Total** | | | | **$2,300,000** |

**Facts:**

A Husband and Wife co-own a $1,500,000 savings account at an insured bank held in the name of their formal revocable trust. Their formal revocable trust names three beneficiaries – Child 1, Child 2, and Child 3 (who are all individuals). The Husband and Wife also co-own a $500,000 payable on death account at the same bank that names the same three beneficiaries.

Finally, the Husband and Wife have established an irrevocable trust naming the same three beneficiaries (Child 1, Child 2, and Child 3), and this trust also maintains a $300,000 CD at the same insured bank.

Assuming that the Husband and Wife do not maintain any other trust accounts at this bank, what is the level of coverage for these deposit accounts?

**Answer:**

All three accounts are insured under the Trust Accounts category, which includes deposits of informal revocable trusts, formal revocable trusts, and irrevocable trusts. This means that the three accounts' balances would be added together for purposes of determining deposit insurance coverage. In this case, the balances of the three trust accounts total $2,300,000. It does not matter that some of the deposits are held in the name of a revocable trust, some are held in a payable on death account, and the remainder is held in an irrevocable trust account.

The Husband and Wife have named three individuals as beneficiaries of their trust deposits at the same insured bank. Under the FDIC's rules, an owner's trust deposits are insured for up to $250,000 per eligible beneficiary, up to a maximum of $1,250,000 if five or more eligible beneficiaries are named. If a trust deposit has multiple owners, each owner receives separate coverage up to this limit.

The Husband's trust account coverage is calculated as follows:

**1 owner x 3 beneficiaries x $250,000 = $750,000**

The Wife receives the same amount of coverage, $750,000, calculated in the same manner:

**1 owner x 3 beneficiaries x $250,000 = $750,000**

The total amount of deposit insurance coverage that applies to the Husband and Wife's trust account deposits is therefore $1,500,000. This is less than the $2,300,000 combined balance of their three trust accounts, with the result that their balance in excess of the insurance limit, $800,000, would be uninsured.

**Example 14 – Multiple Trust Accounts with Common Owners and Beneficiaries**

| Account Title | Balance |
|---|---:|
| Paul & Lisa Li Living Trust (John and Sharon, as beneficiaries) | $700,000 |
| Lisa Li POD to Paul, John, and Sharon | $450,000 |

**Facts:**

Paul and Lisa Li, husband and wife, are co-grantors of a revocable living trust which designates their two children, John and Sharon, as beneficiaries.

At their local IDI, they have one deposit account in the amount of $700,000 titled in the name of their living trust. Paul has no other deposits at the IDI, but Lisa also has an informal revocable trust account in the amount of $450,000 payable on death to Paul, John, and Sharon.

**Answer:**

Both accounts are insured under the Trust Accounts category, which includes deposits of informal revocable trusts and formal revocable trusts. It does not matter that some of the deposits are held in the name of a formal revocable trust and some are held in a payable on death account.

Under the FDIC's rules, an owner's trust deposits are insured for up to $250,000 per eligible beneficiary, up to a maximum of $1,250,000 if five or more eligible beneficiaries are named. If a trust deposit has multiple owners, each owner receives separate coverage up to this limit.

Paul is presumed to own one-half of the $700,000 living trust account, meaning his interest in the trust account is $350,000. He has named two beneficiaries - John and Sharon. His trust account coverage is therefore calculated as follows:

**Paul's Coverage = 1 owner x 2 beneficiaries x $250,000 = $500,000**

Accordingly, Paul's $350,000 trust deposit is fully insured.

Lisa is presumed to own the remaining $350,000 share of the living trust account, and she is the sole owner of the $450,000 POD account. Lisa's trust deposits therefore total $800,000. She has named three beneficiaries - Paul, John, and Sharon. Her trust account coverage is calculated as follows:

**Lisa's Coverage = 1 owner x 3 beneficiaries x $250,000 = $750,000**

Lisa's $800,000 in trust deposits exceeds her $750,000 in coverage, with the result that the excess of $50,000 would be uninsured.