

## The Importance Of FDIC

### Federal Deposit Insurance Makes Banks Secure

In the current financial system, it is important to be aware of which accounts are insured and which are not. This can help ensure that your money is safe and secure in the event of a bank failure. Federal deposit insurance protects depositors by guaranteeing their deposits up to certain limits if a banking institution fails. In the United States, both the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) provide federal deposit insurance for different types of accounts offered at financial institutions.

The FDIC insures most checking and savings accounts in commercial banks, as long as they are held by individuals or businesses and not government entities. The NCUA provides federal deposit insurance for accounts held at federally insured credit unions. Both organizations insure an individual's deposits up to \$250,000 per account type at one institution for each account owner; however, despite this similarity between FDIC and NCUA coverage limits, there are still some differences to consider when selecting where to open an account.

### There Are Important Differences

For instance, FDIC insurance covers traditional savings accounts as well as checking accounts with unlimited transaction activity while NCUA only covers checking accounts with limited transactions (usually six per month).

Additionally, the FDIC extends its coverage to other special types of deposits such as cashier's checks, money orders and certificates of deposit (CDs). The NCUA only offers coverage on regular share drafts—their version of a checking account—and shares—similar to savings accounts at a credit union.

### Not Everything Has FDIC Insurance

It's important to note that there are some types of accounts that don't have federal deposit insurance protection including investments in stocks or bonds, life insurance policies and annuities. In addition, customers should also be aware that federal deposit insurance does not extend beyond what is offered by FDIC or NCUA so any additional funds deposited into an insured account will not be covered if something were to happen to the institution offering it.

Overall, understanding which types of accounts offer protection from either the FDIC or NCUA allows customers to make informed decisions about where they want their hard-earned money deposited. Although some kinds of investments do not offer this assurance from either organization under certain circumstances, customers should always strive to protect their assets with any available form of deposit insurance coverage whenever possible.

**STANDARDS:** 8.6a, 8.6b, 8.6c