

What's the Role of the FDIC, the Treasury, and the Fed?

The Treasury, the Federal Reserve, and the FDIC, which insures deposits up to \$250,000, backstopped the assets of the regional banks so that deposits would be available. To instill confidence in the banking system, the Fed is increasing liquidity by making funds available to other banks as one-year loans through a new program called the Bank Term Funding Program (BTFP).

The difference between now and 2008 is that the funds are going to depositors, not the institutions themselves. The funds won't come from taxpayers but will be drawn from the Deposit Insurance Fund (DIF).



How much deposit insurance exists for your credit union?

The National Credit Union Administration administers an insurance fund similar to the FDIC's with a \$250,000 limit. You can read more about it on the [mycreditunion.gov website](http://mycreditunion.gov).

How are your brokerage and investment accounts protected?

If a brokerage firm is in financial trouble, such as TD Ameritrade or Charles Schwab, which are in the process of merging, an entity called the Securities Investor Protection Corporation, known as SIPC, serves as a backstop. It's a nonprofit corporation created under the Securities Investor Protection Act of 1970.

SIPC generally covers up to \$250,000 in cash for each customer. For example, a Traditional IRA, Roth IRA, and an individual brokerage account would each qualify for that limit at the same firm. The same goes for a separate joint account or a trust account.

However, if you had two individual brokerage accounts at the same firm, you would receive only up to \$250,000 in protection for both. A married couple with a joint brokerage account and two individual brokerage accounts at the same firm would receive an additional \$500,000 in coverage for the joint account.

What if you want more than \$250,000 in coverage?

If you have a joint account with your spouse or someone else, you each get \$250,000 in coverage, for a potential total of \$500,000 in a single joint account.

Additionally, opening accounts at different institutions can increase your FDIC coverage. This is because you get the same FDIC coverage at each, with no limits on the number of institutions where you can have accounts.

For example, suppose you're a couple with \$750,000 in cash. In that case, you could open a joint account at one financial institution with \$400,000 and another at a different financial institution with \$350,000, meaning all of your cash would be FDIC insured.

What's the Impact on the Economy?



The Federal Reserve has clearly positioned a "higher for longer" stance on rates. Inflation is not dropping quickly, and the huge rate increases already enacted appear to not substantially slow the labor market. The government's actions have helped contain the situation with two regional banks, but scrutiny on the regional banking sector has increased.

Volatility was already the watchword for 2023 as the Fed grapples with inflation, a strong labor market, and an economy that is not losing steam quickly enough to lower inflation.

One reminder – Chairman Powell has consistently stated that the priority is to keep high inflation from becoming entrenched, as happened in the 1970s and early 1980s.

The Bottom Line

The recent bank failures and the as-yet-unknown impact on the banking sector, the overall market, and the broader economy are creating more volatility in the short term. However, investing is a long-term game, and trying to time markets can result in missing the best days of the eventual recovery.

For even more information on the current banking situation, [Ron Lieber and Tara Siegel Bernard of the New York Times, wrote the following article](#) a few weeks ago providing additional details.

If you have questions about the information provided, the current banking situation, or the impacts it could have on your financial plan and portfolio, please do not hesitate to reach out to have a conversation. I am always here to help.

Thank you,

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