

# FDIC

consumer news

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## Inside:

- The Key to Using Safe Deposit Boxes — Page 8
- News Briefs — Page 12
- Answers to Your Banking Questions — Page 13
- Wanted: Advice for Raising Financially Responsible Kids — Back Page

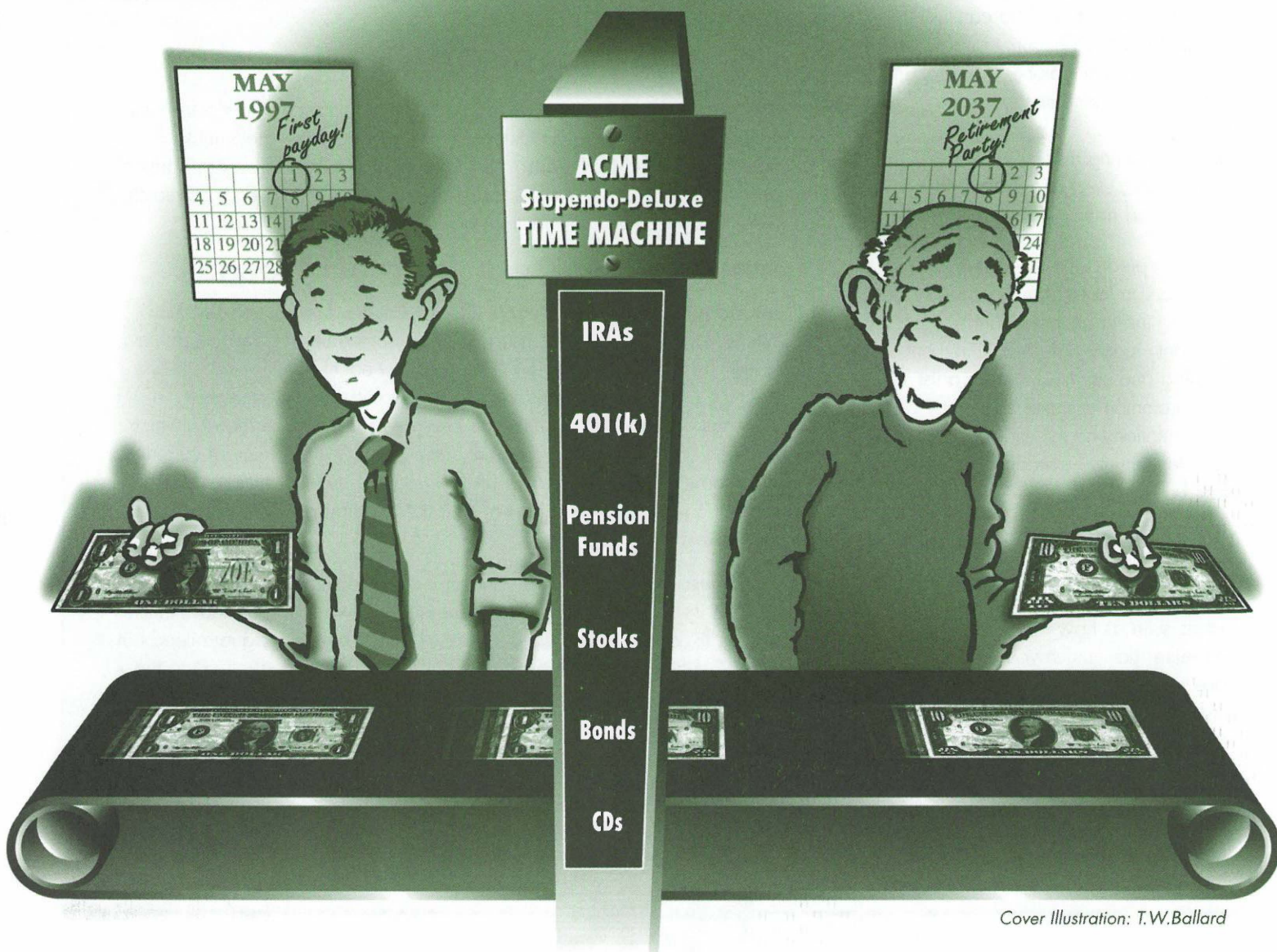
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FEDERAL DEPOSIT INSURANCE CORPORATION

# RETIREMENT PLANNING

Our guide to help your  
money age gracefully, too



Cover Illustration: T.W.Ballard



## Retirement Planning: Saving for Your Golden Years

### *Tips for achieving your retirement goals*

Millions of working Americans find it's a challenge just to pay for their house, car, insurance, child care and other expenses each month. So how can people even think about setting aside money for their retirement—20, 30 or even 40 years away?

The reality is that most of us can't afford not to save for retirement. People are living longer. They're staying more active during the good times of retirement and facing skyrocketing medical and other costs during the bad times. We can't assume that Social Security and corporate pensions alone will carry us through our retirement years. That means each of us should commit to saving money for the distant future, even as we spend for the here and now.

We can't predict the future, but we can help you learn from the past, including the errors people have commonly made with their retirement planning and savings. Here's a list of 10 common mistakes and miscalculations on the road to financial security—wrong turns we want you to avoid.

**1. Saving too little.** How much of your money should go to retirement savings? The answer depends on factors such as how many years until you retire, how much you already have in savings and pensions, what kinds of expenses you foresee in retirement, and the impact of inflation on your future buying

power. To help you figure out how much you should be saving, consider filling out one of the many worksheets found in books about retirement savings and in brochures produced by banks, brokers and consumer groups (such as the American Association of Retired Persons, or AARP). There's even low-cost, interactive computer software available that does the calculations for you. If you find these worksheets confusing or intimidating, ask a trusted friend or advisor to help.

When in doubt, perhaps the simplest approach is this: try to put 10 to 20 percent of your income each year into money toward your retirement. Most families can do that if they make savings a priority and keep debts and spending manageable. "If you're saving out of your paycheck but acquiring additional debt, you're not really saving," warns Craig Hoogstra, director of the AARP's mutual fund program in Washington.

### Terms of Retirement

**401(k)s:** A type of retirement program sponsored by employers for their workers. Contributions deducted directly from your paycheck make it easy to save and can reduce your taxable income for that year. Earnings grow quickly because they're tax-deferred. Many employers also match the employee's own contributions up to a set limit.

**Keogh accounts:** Similar to a 401(k) but for the self-employed.

**Individual Retirement Accounts (IRAs):** Another tax-deferred product offered by banks, mutual funds and other companies. Under current law, a married couple can put \$4,000 (\$2,000 each) into their own IRA each year in a wide range of savings accounts and investments. Earnings are tax-deferred until you begin withdrawing the money (which you can start doing without penalty after age 59 1/2). Under current tax law, some people (depending on their income, marital status or other factors) can deduct all or part of their IRA contributions, which reduces their taxes.

**Annuities:** A tax-deferred product that mixes features of an investment and an insurance policy. There generally are two types—fixed annuities (pay a fixed rate of interest) or variable (your return is not guaranteed but you have freedom to choose how your money is invested). Among the advantages: unlike a 401(k) or IRA, there's no dollar limit on how much you can invest. Among the disadvantages: annuities typically carry relatively high fees and penalties.



Regular, automatic savings programs— such as payroll contributions into retirement accounts and monthly debits from a bank account into a mutual fund— also help make it “painless” to set money aside.

**2. Starting too late.** The sooner you begin saving, even with relatively small amounts contributed year after year, the faster you can develop a solid retirement fund. “Through the magic of compound interest, a *little* bit of money saved and invested over a long period can grow to be a *lot* of money,” says Wynette Stuntz, a certified financial planner in Houston and a member of the International Association for Financial Planning’s consumer education council.

Unfortunately, too many people delay saving for retirement until they meet other goals, such as saving for a child’s college education. “They really should save for all their goals, including retirement 20 or 30 years from now,” says the AARP’s Hoogstra. He says some families solve the dilemma of whether to save for college or retirement by deciding early on to send their kids to a state school or to take out student loans.

If you’re still nervous about committing dollars to long-term savings, keep in mind that, under certain circumstances, you can borrow from your retirement savings accounts or withdraw money without penalty. But Stuntz suggests that instead you set aside “emergency money” (in case of a job loss or a major unexpected bill) equal to

three to six months of your typical expenses. “This investment or savings account should be accessible with little or no loss of principal and no penalties,” she says, “and will provide a financial cushion to rely on in an emergency before having to dip into your retirement savings and shortchange yourself at retirement.”

**3. Not taking advantage of tax breaks.** For whatever reason, many people who are able to invest in a 401(k) or similar retirement programs through their employer don’t take advantage of the opportunity. The 401(k) is a deal too good to pass up— earnings can build quickly because they’re tax-deferred and certain contributions may reduce your taxable income. Many employers even add money to your account as an extra incentive. These benefits explain why most financial advisors recommend that after consumers have set aside money for emergencies they should “max out” on their 401(k)s. You also may want to consider IRAs and annuities (see the box at left for descriptions).

Remember, too, that Congress occasionally changes the tax laws. When that happens, existing savings programs could become more or less attractive than in the past, or new types of accounts could emerge.

**4. Not diversifying enough.** Putting all your (nest) eggs in one basket can be a problem if the approach you take doesn’t perform well or

(Continued on next page)

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actually loses money. Consider a mix of savings and investments—certificates of deposit, individual stocks, an assortment of mutual funds, and so on—that in combination might perform reasonably well under any economic or market conditions.

At the same time, don't choose so many different accounts or investments that it becomes hard for you to monitor how well they're doing—even if you have someone else managing your portfolio.

You might also consider buying a home, which can be a place to live (now or when you retire) or an investment (to sell, rent out or borrow against).

**5. Being too conservative.** It's OK to be cautious. As the saying goes, no investment is a good investment if you can't sleep at night because of it. But if you're *too* cautious—say, putting little or no money into stocks or mutual funds during your early working years—you might miss out on higher returns that historically

have beaten other investment options.

If you've got 10 or more years before you retire, your investments should have enough time to ride out fluctuations in the market and make up for lost ground.

**6. Not doing your homework.** A wrong move can cost you hundreds or thousands of dollars in taxes, fees, penalties or bad investments. Learn as much as you can about planning and saving for retirement.

## Retirement Strategies for the Ages

### A "To-Do" List

Successfully reaching your retirement goals could depend in part on the steps you take at various stages, including the early years of your career. Here's a checklist to consider. (Note: Investment portfolios shown are illustrations only. You must decide what percentages and investments are right for you.)

#### Your 20s and 30s (Early Career)

- ✓ Contribute as much as you can to 401(k)s, Keoghs, IRAs and other retirement savings while meeting other financial goals (such as buying a home, saving for a child's college education or starting a business).
- ✓ Keep your debts (such as credit cards) manageable.
- ✓ Given your years until retirement, you probably can afford to be aggressive or moderately aggressive with your investments. Possible

portfolio: 60 to 90 percent in stocks or stock mutual funds and most of the rest in certificates of deposit (CDs), bonds, bond funds or money market accounts.

#### Your 40s and 50s (Mid-Career)

- ✓ Continue putting as much as you can into 401(k)s, Keoghs, IRAs and other retirement savings accounts. You may have extra ability to save from inheritances or if college costs are paid off.
- ✓ Periodically check up on your Social Security benefits and any pension and profit-sharing plans.
- ✓ If you haven't bought a house already, consider doing so as a source of equity and a place to live in retirement.
- ✓ You're getting closer to retirement but you still have several years to go, so a moderate amount of stock investments could be wise. Possible portfolio: 50 to 70 percent in stocks or stock mutual funds and most of the rest in CDs, bonds, bond funds or money market accounts.

#### Your Early 60s (Late Career)

- ✓ Continue checking on your Social Security benefits and any pension and profit-sharing plans. Begin thinking about how you'll invest this income.
- ✓ Double-check with the Social Security Administration, your accountant or your employer's personnel office to help you determine how much Social Security and pension income you'd get, and lose, if you "retire early" (before age 65).
- ✓ Discuss with a financial adviser when to withdraw money from your tax-deferred accounts. At age 59 1/2, you can withdraw your money without penalty (but subject to taxes and certain restrictions). If you don't need the money, consider leaving it alone. You must begin withdrawing money from 401(k)s and IRAs after age 70 1/2.
- ✓ Review how your insurance coverage will change after retirement. You might need to buy health insurance (particularly if you



# Your Retirement

A good place to start is with free books and pamphlets available from the public library, associations and unions you belong to, your employer's personnel department, and even the federal government (see the box on Page 7).

Talk to financial professionals you know and trust—perhaps your banker, broker, financial planner, attorney, accountant or insurance agent. Ask for a clear explanation of the pros, cons and costs of what they recommend, and do some

comparison-shopping before you make a final decision. Try to do business with people who are reputable and ethical—the ones who will put your best interests above all else.

**7. Not checking up on your retirement money.** Take a look at your savings and investments at least every three months, to make sure they're achieving your goals. Review your overall strategy at least every year, to make sure it still makes sense.

If applicable, every four or five years get a free copy of your "Personal Earnings and Benefit Estimate Statement" from the Social Security Administration. This report shows your earnings over the years and an estimate of the Social Security benefits you can expect to receive upon retirement. Among the reasons to keep an eye on your Social Security and other retirement records: even a simple clerical or

**(Continued on next page)**

take early retirement), change your life insurance coverage, reduce or eliminate your disability (wage replacement) insurance, or consider long-term care (nursing home) insurance.

- ✓ Determine if you want to refinance your mortgage, take out a home-equity loan, apply for a credit card or otherwise prepare to borrow for things you might want in retirement. You might have more options for getting a loan before you retire because you still have employment income. No matter what loans you have, continue to keep your debts manageable.

- ✓ Make sure your loved ones have copies of your will, life insurance

policies, and Social Security and pension records. Have your financial records organized and in a safe place (known to your heirs).

- ✓ Consider if and when to reduce your stock ownership. Possible portfolio: 30 to 70 percent in stocks or stock mutual funds and most of the rest in CDs, bonds, bond funds or money market accounts.

## Your Retirement

- ✓ Apply for your Social Security benefits and other pensions about three months before you retire, so there's enough time for the first checks to arrive. If you plan to work part-time after you "retire," find out how this extra income will affect

your Social Security payments or taxes.

- ✓ Ask your personnel department or a financial advisor about the best way to arrange for your corporate pension (e.g. lump-sum distributions or small, periodic checks).

- ✓ Begin or continue withdrawing money from your IRAs, 401(k)s, annuities, and other retirement accounts, if needed.

- ✓ Reduce your debts (mortgages, credit cards) as much as possible, so these commitments aren't hanging over your head. However, also consider a "reverse" mortgage or similar loan that allows seniors to get income from built-up equity in a home.

- ✓ Lean toward conservative, income-producing investments, but don't rule out stocks or stock funds. Possible portfolio: 20 to 40 percent in stock or stock mutual funds and most of the rest in CDs, bonds, bond funds or money market accounts.

■ ■ ■





computer error can deprive you of money due you.

Also get information from current and former employers about your pension money, and try to resolve any problems as soon as possible. A former employer can move, merge, change names or go out of business, so it's important to you (and your heirs) that you keep good pension records. For guidance, including an explanation of your pension rights and tips for protecting your pension from mismanagement, contact the Pension and Welfare Benefits Administration listed on the next page.

**8. Falling for retirement rip-offs.** If you get a call, letter or visit from someone peddling financial products with features that seem too good to be true, trust your instincts. There are many scams designed to trick consumers—especially elderly people—into giving up cash, checks, credit card numbers or other valuables for little or nothing in return.

Common cons involve promising fantastic returns on investments that turn out to be fraud; outrageous fees for mortgages; exaggerating or lying about the benefits of certain trusts (especially "living trusts") just to make a sale or get personal financial information; "churning" of investments (frequent buying and selling to pile up fees and commissions); and inappropriate, high-cost insurance products.

If you think you've been approached by a con artist or you've been victimized, immediately contact the National Fraud Information Center (phone: 800-876-7060, Internet: [www.fraud.org](http://www.fraud.org)). This project of the National Consumers League in Washington reports suspected frauds to the appropriate law enforcement agencies.

**9. Believing that an investment product you buy from a bank is FDIC-insured.** The FDIC and other regulators require that banks and thrifts selling investment products (such as stocks, bonds, mutual funds and annuities) inform consumers that these are not deposit accounts protected against loss by the FDIC (including loss of principal due to market fluctuations). Despite our efforts, some institutions fail to properly disclose this information and some consumers fail to understand their risks.

If you'd like a copy of "Consumer Facts about Investments," a new FDIC brochure describing the differences between insured deposits and uninsured investments, contact your financial institution or our Public Information Center (listed on Page 3). If you have a specific question or complaint you'd like addressed, contact our Division of Compliance and Consumer Affairs (see Page 15).

**10. Exceeding the \$100,000 insurance limit on deposits.** Some workers can direct their employer to deposit their 401(k) funds into the same FDIC-insured bank or thrift where they've got IRA or Keogh retirement accounts. But under a law that became effective in 1993, a person's 401(k) funds, in certain situations, are added to any IRA or Keogh accounts at the same institution and insured up to \$100,000 in total. Hugh Eagleton,

## Finding a Financial Planner

If you're interested in using a financial planner but you don't know where to start, the following industry groups can provide names and background information of their members who work near your home or office, along with other helpful material. (*FDIC Consumer News* provides this list only as a service to our readers. We do not specifically endorse these organizations or their members.)

- **The International Association for Financial Planning:** Call toll-free at 800-945-4237 or fill out the referral form at its Internet site at [www.iafp.org](http://www.iafp.org).
- **The Institute of Certified Financial Planners,** an association of professionals designated as Certified Financial Planners: Call toll-free at 800-282-7526 or fill out its referral form on the Internet at [www.icfp.org](http://www.icfp.org).
- **The National Association of Personal Financial Advisors,** an association of "fee-only" planners (paid on an hourly, project or percentage basis, not commissions on your purchases): Call toll-free at 888-333-6659 or fill out its referral form on the Internet at [www.napfa.org](http://www.napfa.org).



chief of the insurance unit in the FDIC's Division of Compliance and Consumer Affairs, says the people most likely to run into a problem are those near or in retirement who have concentrated their retirement money in one bank or in two institutions that later merge.

Joseph DiNuzzo, an FDIC attorney in the Washington headquarters, says that if you find that your retirement funds would exceed the \$100,000 insurance limit "you should consider putting the money into more than one institution." And if you have a question about your insurance coverage, contact our insurance specialists at the address or phone number on Page 15.

## Final Thoughts

Chances are good that you could live 25 years or more after your last paycheck—years when expenses and inflation can take large chunks out of your retirement funds. We hope we've given you new incentives and new ideas for saving and investing wisely for your golden years. We also hope you find useful our "to do" list for various stages of your retirement planning (see Page 4) and our lists of additional resources on these last two pages. Finally, we wish you good health and financial prosperity, so that your retirement is as it should be—dynamic, enjoyable and worry-free.



## Government Help for Your Golden Years

- **Agencies on Aging** around the country direct older Americans to government offices and other community resources that can help with financial problems and questions. To find your nearest Agency on Aging, call the Eldercare Locator (800-677-1116), a service of the federal **Administration on Aging**. The Administration on Aging also has a useful Internet site ([www.aoa.dhhs.gov](http://www.aoa.dhhs.gov)) with "links" to the Eldercare Locator plus other on-line sources of financial information.
- The **Consumer Information Center** is a clearinghouse for free and low-cost booklets published by various federal agencies. For a free catalog, write to Consumer Information Center, Pueblo, CO 81009, or call toll-free 888-878-3256. Or, if you have access to the Internet, you can get the full text of the publications free ([www.pueblo.gsa.gov](http://www.pueblo.gsa.gov)).
- The **FDIC and other federal banking agencies** publish information about retirement savings and can respond to questions and complaints about discriminatory lending practices or other consumer matters. For a listing of phone numbers, mailing addresses and Internet sites, see Page 15.
- The **Internal Revenue Service** can assist with tax-related questions, such as when you can withdraw from a retirement account without a penalty. The toll-free phone number for IRS publications is 800-829-3676. Recorded information about commonly asked tax topics is available at 800-829-4477. Help also is available at the IRS Internet site ([www.irs.ustreas.gov](http://www.irs.ustreas.gov)). If you still have questions, you may call your local IRS assistance number listed in your telephone directory or try the central office at 800-829-1040.
- The **Pension and Welfare Benefits Administration**, part of the U.S. Department of Labor, protects consumers by enforcing federal laws governing pensions and other employee benefits. For inquiries, contact a nearby office (in the federal government listings in your phone book), call the Washington headquarters (202-219-8776), or write to the PWBA, Office of Program Services, Department of Labor, Washington, DC 20210. For publications only, call the PWBA toll-free (800-998-7542) or visit its Internet site ([www.dol.gov/dol/pwba](http://www.dol.gov/dol/pwba)).
- The **Social Security Administration** can provide information about your Social Security benefits or about how to file a benefit claim. Call or visit a nearby SSA office (listed in the phone book) or call the agency toll-free 800-772-1213. The SSA also has an Internet site ([www.ssa.gov](http://www.ssa.gov)) with lots of information, including answers to commonly asked questions. If you need more help by mail, write to the SSA, Office of Public Inquiries, 6401 Security Blvd., Baltimore, MD 21235.



## The Key to Your Safe Deposit Box

If you think there isn't much to using a safe deposit box beyond putting keys in locks, you're in for a surprise. The safe deposit service may be tucked down in the basement or far corner of your bank, but in its own quiet way it is among the bank's most important offerings—and among the most misunderstood.

While millions of Americans rent a safe deposit box, few pay attention to questions such as who could or should have access to a safe deposit box (especially in an emergency) and how the contents of the box are protected. About the only time people ever consider these issues is when there's a problem, and then it may be too late to prevent a loss.

To help you decide whether to use a safe deposit box, and how to use one wisely, **FDIC Consumer News** has put together the following questions and answers. Several of these questions came from our readers, in response to an appeal from us. We thank everyone who wrote in with questions or suggestions. (To keep things simple, our references to "banks" are intended to apply broadly to banks, savings institutions and credit unions.)

### In or Out?

#### *Why should I rent a safe deposit box?*

It's a convenient place to store important items that would be difficult or impossible to replace.

The box also offers privacy (only you know what's inside) and security.

Although many people like to keep valuables close by in a closet, safe or file cabinet at home or in the office, these places probably are not as resistant to fire, water or theft. Also, some insurance companies charge lower insurance premiums on valuables kept in a bank's box instead of at home.

#### *What items should go into a safe deposit box?*

Any personal items that would cause you to say, "If I lose this, I'm in deep trouble." Important papers to consider putting into your box: originals of your insurance policies; family records such as birth, marriage and death certificates; original deeds, titles, mortgages, leases and other contracts; stocks, bonds and certificates of deposit (CDs). Other valuables worthy of a spot in your safe deposit box include special jewels, medals, rare stamps and other collectibles, negatives for irreplaceable photos, and videos or pictures of your home's contents for insurance purposes (in case of theft or damage).

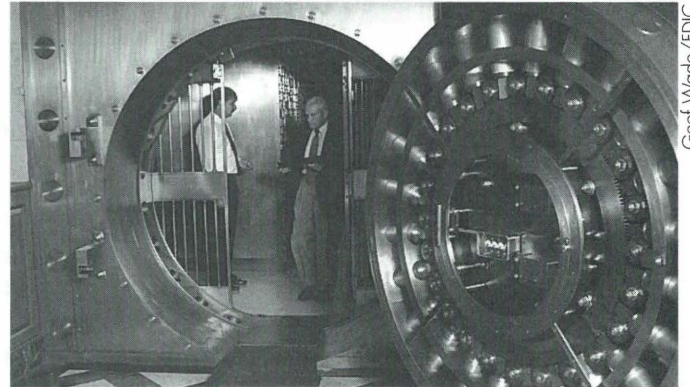
#### *OK, what should NOT go in a box?*

Anything you might need in an emergency, in case your bank is closed for the night, the weekend or a holiday. Possible examples: originals of a "power of attorney" (your written authorization for

another person to transact business on your behalf), passports (in case of an emergency trip), medical-care directives if you become ill and incapacitated, and funeral or burial instructions you make. Consider giving the originals to your attorney, and making copies to go in your safe deposit box or to give a close friend or relative.

#### *If I have a will, shouldn't it go in my safe deposit box?*

Whether your will should be at the bank or elsewhere, such as with your attorney, depends on what your state law says about who has access to your safe deposit box when you die. Ideally, the person you name to oversee your financial matters after you die (your "executor" or "personal representative") should have early access to your *original* will (copies aren't valid). David P. McGuinn, president of Houston-based Safe Deposit Specialists, a consultant to banks and consumer groups, says the recent trend in most states is to make it relatively easy for co-renters, family members or the executor to remove the will and certain other documents (such as life insurance policies and burial instructions) from a deceased person's safe deposit box. In those states, it's a good idea to leave your



Geoff Wade/FDIC



will in the safe deposit box. "But in some states," McGuinn notes, "it may require a court order or another official action to remove the will, which can take time and money. That's why you should check with a bank official to find out what is required under state law and your bank's own policies in the event of your death."

## Access by Others

### *Can I arrange for someone to access my box in an emergency?*

Yes. You can jointly rent your box with a spouse, child or other person who would have unrestricted access to the box. (Warning: In some states your co-renter may face delays in accessing the box if you die. Also, merely giving someone else a key won't be enough to grant access. He or she also must sign the bank's rental contract as a joint-renter.) An alternative is to appoint a "deputy" or "agent" (NOT a power of attorney) who will have access to your box. A deputy/agent and a general power of attorney are similar in that you may grant or revoke the authority at any time, and the appointment ends if you become incompetent or die. The main difference is that a deputy or agent is appointed in the presence of the box renters and a bank employee, which gives the bank greater assurance about the validity of the authorization. "Many people are surprised to find that a power of attorney does not allow access to a box," says Donald Sansone, a Chicago banker who specializes in safe deposit issues. "The bank has no way of knowing if the power of

attorney is still in effect or if the renter was competent when the power of attorney was signed."

### *Can law enforcement authorities access my safe deposit box without my knowledge or permission?*

Mark Mellon, an attorney with the FDIC in Washington, says that if a local, state or federal law enforcement agency persuades the appropriate court that there's "reasonable cause" to suspect you're hiding something illegal in your box (guns, drugs, explosives, stolen cash or money obtained illegally), "it can obtain a court order, force the box open and seize the contents." But what about non-criminal matters, such as a dispute with the Internal Revenue Service, a company or other people over money they say you owe? McGuinn of Safe Deposit Specialists says the IRS can "freeze" your assets (effectively placing a hold on your bank accounts and safe deposit box) until the dispute is resolved. Private parties also can freeze your assets but doing so involves going before a judge and proving that there's a legitimate dispute over a debt.

### *Can a box be declared "abandoned" and the contents turned over to the government?*

Yes, but only if you don't pay your rental fee for a number of years (as determined by state law) and after attempts to notify and locate you prove unsuccessful. In that case, your box will be reported as abandoned and the contents will be turned over to the state's unclaimed property office. Often this happens because the renter dies and the heirs

have no knowledge of the box or its contents. The good news is that even if the state has sold your unclaimed property, you or your heirs still have the right to claim its value. To contact a state's unclaimed property office (sometimes part of the treasurer's office), check the state government section in your phone book. On the Internet, go to the home page of the National Association of Unclaimed Property Administrators ([www.intersurf.com/~naupa](http://www.intersurf.com/~naupa)).

### *What happens to my box if my bank fails?*

When an insured bank or thrift closes, the FDIC usually arranges for another institution to take it over, including branches where you might have a safe deposit box. In those situations, you should be able to conduct business as usual. If the FDIC cannot find a buyer for your bank, it arranges for you to remove the contents of your box so you can obtain a box at another institution, if you wish. This is done within a few days after the bank fails.

## How Safe?

### *Are safe deposit boxes protected from fire, flood or other disasters?*

The companies that manufacture safe deposit boxes and the vaults that house the boxes make them highly "resistant" to fire, flood, heat, earthquakes, hurricanes, explosions or other disastrous conditions. However, the key word here is "resistant." There's no 100 percent guarantee against damage, and substantial losses sometimes occur.

(Continued on next page)



# Safe Deposit Boxes

Richard L. Arnold/Disaster Recovery Journal



Fearing floods, a Missouri bank used a crane to move 2,000 safe deposit boxes to a safe location in 1993. (Those are sandbags, not money bags.)

## Are there extra precautions I can take to minimize damage?

Yes. McGuinn offers this advice: Prevent water damage by sealing items in airtight, zip-lock bags or Tupperware-style containers. Also, put your name on each item, keep a list of the box's contents, make copies of important documents and even take photos of your most prized items left in the box. That way, McGuinn says, if a disaster occurs your chances of successfully identifying, claiming or recovering an item would be increased.

## Doesn't FDIC insurance cover the contents of safe deposit boxes if they're damaged or stolen?

No. By law, the FDIC only insures deposits in deposit accounts at insured institutions. Although you may be putting valuables, including cash and checks, into an area of the bank that has the word *deposit* in its name, these are not deposits under the insurance laws that the bank can use, for example, to make loans to other customers. A safe deposit box is strictly a storage space provided by the bank.

## Does anyone insure my safe deposit box against damage or theft?

Unless your bank is found to be negligent in the way it handled or protected your safe deposit box, do not expect the bank or its private insurance to reimburse you for any damage or loss. If you're concerned about the safety or replacement of the items in your box, first check whether your own homeowner's or tenant's insurance policy covers your safe deposit box against damage or theft. Many do cover box contents up to a certain dollar amount, even including items lost or damaged when they're out of the box. If your home-related insurance isn't sufficient, talk to your insurance agent about additional protection or find out if your bank is among those selling limited insurance coverage on safe deposit boxes. But before buying any extra coverage, carefully review the policy and do some comparison-shopping.

## Can thieves rob a safe deposit box?

Yes, it happens, but fortunately not often. Safe deposit boxes are stored in concrete or steel vaults equipped with sophisticated alarms,

locks, video cameras, motion sensors, heat detectors and other security devices. Most U.S. banks also have very strict access procedures, among them: verifying signatures, restricting access to the vault, never leaving anyone unattended inside the vault, and requiring two different keys (one being the bank's "guard key") to open a box. "Most thefts occur because of a lapse in proper access procedures, such as leaving a would-be burglar alone in the vault," McGuinn says, adding that "a trained locksmith can quietly open someone's box in 10 seconds." You can do your part to prevent a rip-off by following our recommendations to consumers on the next page.

## Final Thoughts

It's smart to want to protect irreplaceable documents and valuable possessions, for yourself and your heirs. We hope this report has given you answers and ideas to make you even smarter—and safer—when it comes to making decisions about a safe deposit box.



## Safe Bets for More Information

- The manager of the safe deposit department at your bank.
- Your state's regulator of financial institutions (in the phone book).
- The American Safe Deposit Association, an industry trade group that can answer questions or direct you to resources in your state (330 W. Main St., Greenwood, IN 46142, phone 317-888-1118).
- David P. McGuinn, president of Safe Deposit Specialists, the consulting firm mentioned in our story, will send consumers material about safe deposit security for a \$5.95 shipping and handling fee (P.O. Box 40026, Houston, TX 77240, phone 713-937-9929).



## Making Your Safe Deposit Box Even Safer

*These simple measures should prevent thefts from your safe deposit box*

- **Before renting a box:** Read the security and operating procedures in your rental contract. Talk to the vault attendant about access procedures and security devices until you are comfortable with the level of protection. "Observe such things as whether customers, locksmiths or other people are left alone inside the vault, which may give them an opportunity to tamper with the locks," says Kate Spears of the FDIC's Division of Compliance and Consumer Affairs in Washington. "Nowadays, devices such as electronic lock-picks or other special tools can be used in a flash and leave no sign of tampering— except that the contents of the box are missing." Also, make sure the bank's safe deposit area has a "viewing" room or booth outside of the vault that you can use to inspect your box's contents in privacy and safety.
- 
- **At home:** Keep your two safe deposit box keys apart from each other and in safe places (not with your house keys or car keys). Don't keep your keys on a key ring or in an envelope that would indicate the bank's name or the location of your box. Give your extra key only to someone you trust. "If even one of your keys is lost," says Chicago banker Donald Sansone, "notify the bank immediately so their personnel are on alert against someone trying to perpetrate a fraud." If both keys are lost, you should get a new box (and be prepared to pay to have your old box drilled open). Keep written and photographic records of your box's contents at home, in case any items are lost and you need to file a claim. Also check your home insurance policy to see if it covers the items in your box against loss or damage.
  - **Inside the vault:** Accompany the bank employee into the vault, and be sure no other customers are there with you. After you arrive at the vault, it's OK to give the attendant your key for the few seconds it takes to open or close the box door, but never lose sight of the key and never leave it in the box door. An unscrupulous attendant or dishonest customer only needs a few seconds to make a wax impression of your key, which can be used to make a duplicate. Also, never let a bank employee take the box out of your sight. When you return your box to the vault, be sure the box door is properly locked and that you have your key before you leave. "Don't allow a bank employee to keep your key and handle transactions for you if you're not there— something elderly customers have done and regretted," adds Carol Mesheske, chief of a section in the FDIC's Division of Supervision that monitors fraudulent activities at banks.
  - **Outside the vault:** Only open the safe deposit box when you're inside the viewing booth and away from bank employees and customers. "Before leaving the privacy booth, make sure all valuables are safely back inside the box," recommends Gene Seitz, also of the FDIC's anti-fraud group. "And make sure there's nothing left behind that may indicate the contents of your box, such as a currency strap, a specially-marked envelope or an empty jewelry box."
  - **If there's a problem:** Tell a bank manager if the vault attendant seems a bit lax in following security procedures or if you spot something suspicious going on. Immediately report to the manager any items you believe are missing from your box or if there are signs of unauthorized or forced entry. If you're pretty sure you've been victimized, it's also a good idea to contact the National Fraud Information Center (phone: 800-876-7060, Internet: [www.fraud.org](http://www.fraud.org)), which reports suspected crimes to law enforcement agencies. If your bank doesn't resolve the matter to your satisfaction, you may contact its federal regulator (see the listings on Page 15 of this newsletter).



## Insurance Simplification

The FDIC has asked for public comment on proposals to clarify and simplify the agency's deposit insurance rules, for the benefit of consumers and bankers. The most notable change would insert into the rules a variety of examples so that the average depositor could quickly understand what insurance coverage he or she has (or would have) at an FDIC-insured institution. Other proposed changes would give the FDIC more flexibility to insure third-party deposits made by law firms, real estate agents and other businesses on behalf of their customers; provide a six-month grace period after a depositor's death so that co-owners and beneficiaries can rearrange accounts if necessary to avoid going over the \$100,000 insurance limit; and clarify the insurance coverage of "living trusts." You can get a copy of the proposed changes from the FDIC's Public Information Center (listed on Page 3) or via the Internet ([www.fdic.gov/banknews/fils/1997](http://www.fdic.gov/banknews/fils/1997)) and click on FIL-52-97). Written comments are due by August 12 (by mail to the Office of the Executive Secretary, FDIC, Washington, DC 20429, or by Internet to [comments@fdic.gov](mailto:comments@fdic.gov)).

## Branch Names

Did you know banks and savings institutions operate branches and even Internet sites under a different "trade" name than the company's "legal" name? (Example: For local marketing purposes, XYZ Bank may have a branch in Anytown operating under the name Anytown Bank.) The use of different trade names isn't

common, but where it does exist, the FDIC and other regulators are concerned about customer confusion and the implications for insurance coverage. Here's why: If you deposit large sums of money into what you believe are two different banks that really are part of the same institution, you could inadvertently be exceeding the \$100,000 federal insurance limit. Money over the limit would be at risk of loss if the institution fails. The FDIC and other federal and state regulators are working on ways to prevent consumers from being deceived or misled, including explanations in signs, advertising and new account materials. For more information or to comment, contact the FDIC's Division of Compliance and Consumer Affairs (see Page 15).

## New on the 'Net

The FDIC has added to its Internet site more information of interest to consumers and available free of charge. The "Institution Directory" (ID) enables Internet users to get financial and other information about any bank or thrift insured by the FDIC. A consumer can generate lists of institutions, verify whether their bank or thrift is a member of the FDIC, compare an institution's performance against other institutions (no official agency ratings are presented), and trace the history of more than 25,000 institutions that were ever insured by the FDIC (to find whether an institution merged or closed). These various features provide a helpful service to depositors, stockholders and others interested in FDIC-insured institutions. To get to the ID site, go to the FDIC's

Internet home page ([www.fdic.gov](http://www.fdic.gov)) and click on "Data Bank." Another addition to the FDIC home page is a quarterly "Regional Outlook" giving an overview of important economic developments in each of eight regions of the country. To find the latest "Regional Outlook" reports, click on "Banking News."

## Free Publications

The FDIC has issued a new version of "Symbol of Confidence," a brief description of the FDIC's history and activities. This latest edition includes a guide to where and how to get answers to the most commonly asked questions about the FDIC, federal deposit insurance, FDIC publications, and other activities and services. Another new FDIC brochure, "Consumer Facts about Investments," informs readers that mutual funds, stocks and other nondeposit products purchased at banks are not insured by the FDIC. Both brochures are available from the FDIC's Public Information Center (see Page 3) and will be posted on the Internet ([www.fdic.gov](http://www.fdic.gov)). The latest publications from the Federal Trade Commission cover such topics as getting out of debt safely, guarding against misleading claims about credit repair and bankruptcy, avoiding travel-related telemarketing scams, and protecting against for-profit fundraisers who misrepresent ties with police, fire fighters and other community organizations. Contact the FTC, Public Reference Branch, Washington, DC 20580 (phone 202-326-2222) or access these and other FTC publications on the Internet ([www.ftc.gov](http://www.ftc.gov)).





## Answers to your questions about banking and consumer protections

### Card Fraud

*I understand it's important to notify credit reporting agencies if a thief has gotten to your credit card. Do you agree? If so, can you print their phone numbers?*

— Chicago, IL

We've said in the past that if you think your credit card or card number is being used by a thief (maybe for unauthorized purchases or to set up a new account in your name) you should report this immediately to your card company and to law enforcement authorities. But experts agree it's also a good idea to make toll-free calls to the major credit reporting agencies. These are information-reporting companies (sometimes called credit bureaus) that banks, retailers and other credit grantors contact when determining whether someone is worthy of a loan, credit card or charge card. Your call will result in a warning being placed in your file that says you may be a fraud victim and that any credit grantor should check with you before approving any new loans or cards in your name. This warning can help stop crooks in their tracks and keep new charges off your account.

If you've been victimized by card fraud, take the time to call the three major credit reporting agencies. You can directly call the fraud sections of TRW/Experian (800-301-7195) and Trans Union (800-680-7289). Equifax wants you to

first call your creditor, which will provide the number for Equifax's fraud department if your concerns are legitimate.

### Help for Entrepreneurs

*SCORE—the Service Corps of Retired Executives—was missing from your list of resources for small businesses (Fall 1996). Can you mention SCORE and its activities to your readers?*

— Santa Rosa, CA

Gladly. SCORE is a non-profit association of more than 12,000 working and retired officials from business and government (including the FDIC) who volunteer their time to counsel and mentor entrepreneurs. SCORE's experts provide general advice on business tasks, including writing a business plan, doing market research and getting financing.

There are nearly 400 SCORE chapters nationwide, and each attempts to pair entrepreneurs with counselors who have a particular expertise. Individual assistance is free and confidential. (Funding comes from the U.S. Small Business Administration.) Low-cost workshops and seminars also are offered. More than three million Americans have used SCORE's services since it was formed in 1964.

So if you need advice about starting, running or even selling a business, you may call SCORE toll-



free at 800-634-0245 to be referred to your nearest SCORE chapter. If you have access to the Internet, you can get counseling by e-mail, find your nearest SCORE office or get other helpful information via SCORE's Internet home page ([www.score.org](http://www.score.org)). Or you can write to SCORE at 409 Third Street, SW, Fourth Floor, Washington, DC 20024.



### Please Write!

Is there an issue you'd like addressed or a question you'd like answered in **FDIC Consumer News**?

Please fill out our survey on the next page or send a letter to:

Jay Rosenstein, Editor  
FDIC Office of Corporate Communications  
550 17th Street, NW,  
Washington, DC 20429  
Fax: 202-898-3870  
Internet:  
[editorconsnews@fdic.gov](mailto:editorconsnews@fdic.gov)



# Reader Survey

Dear Reader:

We know from the many letters and comments we receive that **FDIC Consumer News** is helping people be smarter, safer users of financial services. But we want to do an even better job in the future. And that's why we'd like to hear from you!

Would you please take a few minutes to answer the following questions about the topics you're most interested in and how **FDIC Consumer News** can do a better job getting the information to you? Start by clipping or photocopying this page. Then jot down your responses and mail or fax them back to us by September 5.

Thank you in advance for giving us the benefit of your opinions and giving us another opportunity to serve you better.



Jay Rosenstein, Editor, **FDIC Consumer News**

Please rate your interest in the topics we cover in our newsletter, using a scale of 1-to-10 (1 = of no interest, 5 = moderate interest, 10 = strong interest).

## Numerical Rating


Deposit insurance (what's protected against loss, what isn't)

News and tips involving checking, savings and other deposits

News and tips about loans (mortgages, credit cards, etc.)

Warnings about financial frauds against consumers

Electronic banking (ATMs, banking over the Internet, etc.)

History, anecdotes and trivia about money and banking

New laws or rules affecting bank customers

Of the stories or tips you've seen in **FDIC Consumer News**, which two or three did you find the most useful? Why? \_\_\_\_\_

Are there specific topics you'd like us to consider for future issues of **FDIC Consumer News**? \_\_\_\_\_

In general, how could we do a better job providing the information you need? \_\_\_\_\_

The following is optional but preferred so that we may follow up on your comments. This information is for internal use only and will not appear in our newsletter or elsewhere.

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Occupation: \_\_\_\_\_

Phone: ( ) \_\_\_\_\_

Please send your completed survey by September 5 to: **FDIC Consumer News**, FDIC Office of Corporate Communications, 550 17th Street NW, Washington, DC 20429 or fax to (202) 898-3870.



## For More Help

### For questions about consumer or civil rights laws, or complaints involving a specific institution:

First attempt to resolve the matter with the institution. If you still need assistance, write to the institution's primary regulator listed on this page. Although the FDIC insures nearly all banks and savings associations in the United States, the FDIC may not be the primary regulator of a particular institution. The regulators enforce consumer protection and civil rights laws, including prohibitions against



discriminatory lending practices; initiatives to prevent unfair or deceptive practices in deposit-taking or lending; and rules that encourage institutions to meet local credit needs.

### For questions about deposit insurance coverage:

The FDIC offers protection to consumers by insuring deposits up to \$100,000 at federally insured banks and savings associations. For more information, contact the FDIC's Division of Compliance and Consumer Affairs as listed below. The National Credit Union Administration insures deposits up to \$100,000 at federally insured credit unions and can be contacted at the address below.

## Federal Deposit Insurance Corporation

### Federal Deposit Insurance Corporation

Supervises state-chartered banks that are not members of the Federal Reserve System. Insures deposits at banks and savings associations.

#### FDIC

550 17th Street, NW  
Washington, DC 20429

Home Page: [www.fdic.gov](http://www.fdic.gov)

For information about consumer protections, including deposit insurance:

#### FDIC Division of Compliance and Consumer Affairs

550 17th Street, NW  
Washington, DC 20429

Phone (800) 934-3342 or  
(202) 942-3100

Fax: (202) 942-3427 or  
(202) 942-3098

E-mail: [consumer@fdic.gov](mailto:consumer@fdic.gov)

For questions, concerns or complaints about the Federal Deposit Insurance Corporation:

#### FDIC Office of the Ombudsman

550 17th Street, NW  
Washington, DC 20429

Phone (800) 250-9286 or  
(202) 942-3500

Fax: (202) 942-3040 or  
(202) 942-3041

E-mail: [ombudsman@fdic.gov](mailto:ombudsman@fdic.gov)

## Other Key Regulators

### Office of the Comptroller of the Currency

Charters and supervises national banks. (The word "National" appears in the name of a national bank, or the initials "N. A." follow its name.)

Customer Assistance Unit  
Mail Stop 3-9  
Washington, DC 20219  
Phone (800) 613-6743

Home Page:  
[www.occ.treas.gov](http://www.occ.treas.gov)

E-mail:  
[consumer.complaint@occ.treas.gov](mailto:consumer.complaint@occ.treas.gov)

### Federal Reserve System

Supervises state-chartered banks that are members of the Federal Reserve System.

#### Division of Consumer and Community Affairs

20th St. and  
Constitution Avenue, NW  
Washington, DC 20551

Phone (202) 452-3693

Fax: (202) 728-5850

Home Page:  
[www.bog.frb.fed.us](http://www.bog.frb.fed.us)

### National Credit Union Administration

Charters and supervises federal credit unions. Insures deposits at federal credit unions and many state credit unions.

Office of Public and Congressional Affairs  
1775 Duke Street  
Alexandria, VA 22314

Phone (703) 518-6330

Fax: (703) 518-6429

Home Page: [www.ncua.gov](http://www.ncua.gov)

E-mail: [pacamail@ncua.gov](mailto:pacamail@ncua.gov)

### Office of Thrift Supervision

Supervises federally and state-chartered savings associations plus federally chartered savings banks. (The names generally identify them as savings and loan associations, savings associations or savings banks. Federally chartered savings associations have the word "Federal" or the initials "FSB" or "FA" in their names.)

Consumer Affairs Office  
1700 G Street, NW  
Washington, DC 20552

Phone 800-842-6929 or  
202-906-6237

Home Page:  
[www.access.gpo.gov/ots](http://www.access.gpo.gov/ots)

E-mail: [consumer.complaint@ots.treas.gov](mailto:consumer.complaint@ots.treas.gov)

Some banking matters may involve state laws. For assistance, contact the appropriate state financial institution regulatory agency or state Attorney General listed in your telephone book and other directories.



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## We Need Parental Advice!

*Please send us your suggestions and questions about raising financially responsible kids*

Parents generally know when and how to teach their children to ride a bike or drive a car. But when it comes to helping kids understand financial responsibility, many parents can use a little teacher's ed. That's where we...and you...come in.

In an upcoming issue of **FDIC Consumer News**, we'll give tips and information about ways to help grade-schoolers and high-schoolers learn about money. About saving and investing. Spending and

borrowing within limits. Being smart shoppers. Learning to accept financial obligations. And last but not least, the importance of being charitable with money.

How can you help? Send us your best advice and anecdotes. Tell us how you, your kids or other friends or family members learned the value of a dollar and the best ways to handle money. Think of what you'd do differently, and why. Send us your questions on topics you'd like addressed in our report, such as

when a child should get an allowance, open a savings account or investment account, begin paying for major expenses or take a job after school. Please write to: Jay Rosenstein, **FDIC Consumer News**, 550 17th Street, NW, Washington, DC 20429 (fax: 202-898-3870, Internet: [editorconsnews@fdic.gov](mailto:editorconsnews@fdic.gov)). Please also include your name, address and phone number. No names will appear in print without your permission.



Federal Deposit Insurance Corporation  
Washington, DC 20429-9990  
OFFICIAL BUSINESS  
Penalty for Private Use, \$300



**BULK RATE  
MAIL**  
Postage & Fees  
Paid Permit  
No. G-36