



Simplification of Living Trust Rules

FIL-14-2004
February 4, 2004

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: FDIC Board Simplifies Deposit Insurance Rules for Living Trust Accounts

Summary: *The FDIC Board of Directors has approved a final rule that will simplify the deposit insurance regulations for deposits held in connection with a living trust. The rules are being changed primarily because the existing ones have been confusing for consumers and bankers. While the final rule will take effect April 1, 2004, the FDIC will apply the new regulations at any insured institution that fails between January 13, 2004, and April 1, 2004, if doing so would benefit the affected depositors.*

The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) has approved the attached final rule to clarify and simplify the agency's deposit insurance regulations for accounts held in connection with living trusts. The final rule will take effect on April 1, 2004, but the FDIC will apply the new regulations to living trust deposits at any insured institution that fails between January 13, 2004 (the date of the Board action), and April 1, 2004, if doing so would benefit the affected depositors.

The new rules are intended to address the confusion surrounding the coverage of living trust accounts. They are easier to understand than the existing rules and are designed to enable depositors and bankers to more easily determine the available deposit insurance coverage on depositors' living trust accounts. Also, the final rule eliminates the existing requirement that beneficiaries of living trust accounts be named in the records of the depository institution.

The attached FDIC fact sheet provides examples of how the new coverage rules will work in the most common situations.

The FDIC is planning several ways to raise awareness of the new insurance rules among bankers and bank customers:

- The FDIC will be issuing new deposit insurance publications for consumers and bankers that will address the rule changes and replace the popular Your Insured Deposits brochure.
- The upcoming edition of the agency's quarterly publication FDIC Consumer News will cover the living trust final rule in depth.
- Information on the new rules will be available on the FDIC's Web site at www.fdic.gov.
- The FDIC is planning special educational programs to explain the new rules to bankers.

Bankers (or their customers) who have questions about the new rules on living trusts or any other aspect of FDIC insurance coverage may contact the FDIC by phone (toll-free at 877-275-3342), mail (550 17th Street, NW, Washington, D.C. 20429) or e-mail (using an online form at www2.fdic.gov/starsmail/index.html). The FDIC's Web site also contains extensive information about FDIC insurance coverage.

For your reference, FDIC Financial Institution Letters (FILs) may be accessed from the FDIC's Web site at www.fdic.gov/news/news/financial/2004/index.html. This FIL supersedes FIL-54-2003, dated July 2, 2003.

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Attachment:

- [January 21, 2004, Federal Register, pages 2825-2830- PDF 56.3k](#)
- [FDIC Insurance Coverage of Living Trust Accounts](#)

Distribution: FDIC-Supervised Banks (Commercial and Savings)

NOTE: Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 801 17th Street, NW, Room 100, Washington, DC 20434 (1-877-275-3342 or (703) 562-2200).