

Safe Savings

How deposit insurance protects bank customers

SS.8.FL.3.8 “Explain that, to assure savers that their deposits are safe from bank failures, federal agencies guarantee depositors’ savings in most commercial banks, savings banks, and savings associations up to a set limit.”

NAME _____

DATE _____

1 READ AND MARK _____ Read it twice

YOUR JOB Underline sentences that explain how federal deposit insurance protects savers. Circle each detail that tells who is covered, which banks are covered, or how much coverage applies.

When a Bank Closes

- ① When a bank fails, it cannot meet its obligations and may close. This can worry people who keep money in checking accounts, savings accounts, or certificates of deposit. The federal government helps build trust in the banking system through deposit insurance. The Federal Deposit Insurance Corporation, or FDIC, insures deposits at most commercial banks, savings banks, and savings associations. A customer can check whether a bank is FDIC-insured before opening an account. Deposit insurance is designed to protect savers, not to prevent every bank from failing.
- ② At an FDIC-insured bank, the usual coverage limit is \$250,000 per depositor, per insured bank, for each ownership category. This wording matters. Money held by one person in that person's own accounts is generally added together within the same ownership category at one bank. For example, a person's checking and savings deposits may count toward one limit if both are single-owner accounts at the same bank. Different ownership categories, such as certain joint or trust accounts, can have separate coverage rules. A bank employee or the FDIC can help explain coverage.
- ③ Deposit insurance does not cover every financial product sold by a bank. Stocks, bonds, mutual funds, and similar investments can rise or fall in value, and they are not FDIC-insured deposits. The insurance also has limits, so a saver with more than the covered amount in one ownership category at one bank may have uninsured money. If an insured bank fails, the FDIC uses its insurance system to protect covered depositors up to the applicable limit. This protection reassures savers that covered deposits are safe even when a bank closes.

2 ANSWER WITH EVIDENCE _____ Use the passage

1 Which federal agency insures deposits at most commercial banks, savings banks, and savings associations?

2 What is the usual FDIC coverage limit, and what three details help determine how the limit applies?

3 Why might a person's checking and savings deposits be added together when coverage is figured?

4 Name two financial products that are not FDIC-insured deposits. What can happen to their value?

3 YOUR TURN _____ Your own words

River Bank is FDIC-insured. Lana has \$210,000 in a single-owner checking account and \$55,000 in a single-owner savings account there. Write exactly three sentences explaining how the usual FDIC limit would apply if River Bank failed.

PART 1 • READ AND MARK

Underline sentences that explain how federal deposit insurance protects savers. Circle each detail that tells who is covered, which banks are covered, or how much coverage applies. Accept any marking that follows this job and points at the right text.

PART 2 • ANSWERS

#	QUESTION	ANSWER
1	Which federal agency insures deposits at most commercial banks, savings banks, and savings associations?	The Federal Deposit Insurance Corporation, or FDIC.
2	What is the usual FDIC coverage limit, and what three details help determine how the limit applies?	The usual limit is \$250,000 per depositor, per insured bank, for each ownership category.
3	Why might a person's checking and savings deposits be added together when coverage is figured?	They may be added if they are the person's single-owner accounts in the same ownership category at the same bank.
4	Name two financial products that are not FDIC-insured deposits. What can happen to their value?	Stocks, bonds, or mutual funds are not FDIC-insured deposits. Their value can rise or fall.

PART 3 • YOUR TURN (SAMPLE ANSWER)

Because both accounts are Lana's single-owner accounts at the same FDIC-insured bank, their deposits are added to \$265,000. The FDIC would protect up to \$250,000 if River Bank failed. \$15,000 would be above the usual coverage limit and might not be insured.

Accept equivalent wording that identifies the FDIC, the \$250,000 usual limit, and the factors of depositor, insured bank, and ownership category. For the open response, accept the correct total of \$265,000, \$250,000 covered, and \$15,000 potentially uninsured.