FDIC Insurance

Protecting the principal of Market-Linked Certificates of Deposit

Market-Linked Certificates of Deposit are considered complex investments and may not be suitable for all investors, so its important to review the relevant offering documents.

Protecting your assets through FDIC insurance

A Market-Linked Certificate of Deposit is a complex, principal protected investment, subject to the credit risk of the issuing bank. Should the issuer become insolvent, the Federal Deposit Insurance Corporation (FDIC), an independent agency of the United States government, protects the principal investments of Market-Linked CDs. Protection is only up to the allowable insurance limits.

What if... the issuer of the Market-Linked CD becomes insolvent? What happens to my investment?

If the issuer of a Market-LInked CD becomes insolvent prior to maturity, the FDIC would insure the investment up to applicable limits based on the ownership category (see chart on page 4). Any amount that exceeds FDIC limits is subject to the credit risk of the issuer. The FDIC will only cover the initially deposited principal (less any withdrawals) plus periodically accrued interest. Any interest, gains, or supplemental returns scheduled to be credited at maturity are not insured.

What if... I hold Market-Linked CDs in several different accounts? What are my protection limits?

The FDIC insures accounts held in various ownership categories. That means Market-Linked CDs held in multiple accounts in a variety of ownership categories creates an opportunity to maximize insurability beyond the standard coverage of up to $250,000. The ownership categories include:

Single accounts;

Certain **retirement accounts** – Individual Retirement Accounts (IRAs), Roth IRAs, Simplified Employee Pension (SEP) IRAs, Savings Incentive Match Plan for Employees (SIMPLE) IRAs, and Self-Directed Contribution accounts such as Section 457 plans;

Joint accounts – All co-owners must be alive and have equal rights to ownership;

Employee benefit plan accounts – Pension and defined benefit plans;

Corporations, partnerships and unincorporated association accounts – Deposits owned by profit and not-for-profit organizations; and,

Government accounts – Accounts owned by federal agencies, states, counties and municipalities, as well as The District of Columbia, Puerto Rico and other government possessions, territories and Indian tribes.

Revocable and Irrevocable Trusts – All trust accounts associated with a grantor, revocable or irrevocable, must be combined to determine applicable FDIC coverage. If a trust has more than one owner, each owner's insurance coverage is calculated separately. These combined trust accounts will have a $250,000 insurance limit per named beneficiary, with a maximum insurance coverage of $1,250,000 (5 beneficiaries), regardless of the number of beneficiaries.

What if... I want to invest more than $250,000 in Market-Linked CDs but want my total investment eligible for FDIC insurance?

By structuring Market-Linked CDs into multiple ownership categories, you can maximize how much FDIC coverage you and your family can receive.

This is an example of how you can take advantage of multiple ownership categories:

Account title	Account ownership category	Owner(s)	Beneficiary(ies)	Maximum insurable amount
Husband	Single account	Husband		$250,000
Wife	Single account	Wife		$250,000
Husband & Wife	Joint account	Husband & Wife		$500,000
Husband POD	Revocable trust account	Husband	Wife	$250,000
Wife POD	Revocable trust account	Wife	Husband	$250,000
Husband & Wife Living Trust	Revocable trust account	Husband & Wife	Child 1 Child 2 Child 3	$1,500,000
Husband IRA	Certain Retirement Account	Husband		$250,000
Wife IRA	Certain Retirement Account	Wife		$250,000
Total				**$3,500,000**

Source: https://www.fdic.gov/regulations/resources/brochures/your_insured_deposits-english.html - as of April 1, 2024

Revocable Trust Account Ownership Category

To determine insurance coverage of revocable trust accounts, the FDIC first determines the amount of the trust's deposits belonging to each owner. In this example:

- **Husband's share** = $1,000,000 (100% of the Husband's POD account naming Wife as beneficiary and 50% of the Husband and Wife Living Trust account identifying Child 1, Child 2, and Child 3 as beneficiaries)
- **Wife's share** = $1,000,000 (100% of the Wife's POD account naming Husband as beneficiary and 50% of the Husband and Wife Living Trust account identifying Child 1, Child 2, and Child 3 as beneficiaries)

Second, the FDIC determines the number of beneficiaries for each owner. In this example, each owner has four unique beneficiaries (Spouse, Child 1, Child 2 and Child 3). When a revocable trust owner names five or fewer unique beneficiaries, the owner is insured up to $250,000 for each unique beneficiary. Husband's share of the revocable trust deposits is insured up to $1,000,000 ($250,000 times four beneficiaries = $1,000,000). Wife's share of the revocable trust deposits is insured up to $1,000,000 ($250,000 times four beneficiaries = $1,000,000).

Source: https://www.fdic.gov/regulations/resources/brochures/your_insured_deposits-english.html - as of April 1, 2024

What you should know before investing in Market-Linked CDs

Market-Linked CDs are intended to be buy and hold investments. The principal investment in a Market-Linked CD can only be 100% protected if held until maturity, subject to the credit risk of the issuer.

Call risk
Some Market-Linked CDs (MLCDs) are callable or redeemable, solely at the option of the issuer. The issuer is not obligated to redeem a callable CD, and will typically call an MLCD when it is most advantageous for them to do so. If the MLCD is called, it is possible that you may be unable to reinvest in an MLCD with similar or better terms.

Credit risk
Any investment above the FDIC allowable limit is subject to the credit risk of the issuer, as are any market-linked returns.

Fees
MLCDs are subject to fees and costs, including commission paid to your financial professional, structuring and development costs, and offering expenses. There are also trading costs, including costs to hedge the product. Any sales prior to maturity will be reduced by all associated fees and costs, which are detailed in the offering documents. MLCDs, when held to maturity, will return the initial principal, subject to the credit risk of the issuer, regardless of fees.

Liquidity risk
MLCDs are intended to be held until maturity and there is no formal secondary market for the product, which makes early redemptions difficult and subject to a variety of market-related factors. In the event that you are able to redeem MLCDs prior to maturity, the redemption proceeds may be less than the amount you invested due to fluctuations in the underlying assets and other market-related factors. FDIC insurance does not protect against losses if MLCDs are sold or redeemed prior to maturity.

Market risk
MLCDs are linked to the performance of specified underlying assets. The return on MLCDs can be adversely impacted if the underlying asset performs poorly. At maturity, poor performance of the underlying asset could result in no return above the principal amount.

Performance risk
The MLCD pays a return based upon the performance of an underlying asset as outlined in the offering documents. These terms could include interim caps, averaging, and rates of participation in the underlying asset. MLCDs do not pay dividends. If dividends are declared on the underlying asset, they will be excluded when calculating the performance of the MLCD. There are a variety of factors that may influence the performance of the underlying asset such as volatility, interest rate moves, and time to maturity. Additionally, potential fees charged on the underlying asset may reduce or eliminate any positive return in that underlying asset, thereby reducing the return on the MLCD.

Tax implications
MLCDs may be treated as a “contingent debt instrument” for federal income tax purposes if they are held in a non-qualified account. While an MLCD may not pay interest until maturity, if at all, you may be required to include your charged interest amount each year as income for federal income tax purposes. For specific terms, please refer to the offering documents or consult a tax professional.

Speak with your financial professional about the risks and suitability of Market-Linked CDs in your portfolio.

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