

WEISS RESEARCH'S

**Critical Questions — and
My Bests Answers —
About the Safety
of Your Bank Deposits,
Insurance Policies
and Investments**

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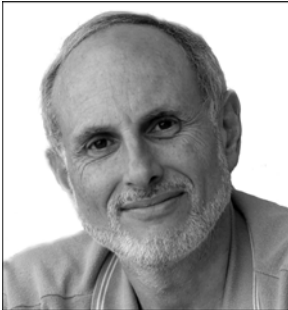
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Critical Questions — and My Bests Answers — About the Safety of Your Bank Deposits, Insurance Policies and Investments

Martin D. Weiss, Ph.D.



To help you use our lists more effectively, and to make sure you have every opportunity possible to get your money to safety, seriously consider the following critical questions along with my best answers ...

Q. What happens to my money if my bank fails?

A. Right now, federal regulators are pursuing two entirely different approaches:

- If your bank is among the nation's largest, it may be deemed "too big to fail," meaning that the government will inject taxpayer funds and take other extraordinary measures to keep it alive.
- If your bank is not in that privileged group, however, the FDIC will likely step in, find a merger partner or temporarily take it over.

In either case, you should NOT count exclusively on the government to protect you from all risks. Even when the government bails out a major bank, many can people lose money.

There are three possible situations:

Situation #1: You are a shareholder in a bank that's failing. The impact: You will probably lose all or most of your money whether the government tries to bail the bank out or it's allowed to fail and is taken over by the FDIC.

Situation #2. You are an insured depositor. You've got savings or checking accounts with the bank and they are under the FDIC insurance limit.

- In normal times, your savings should be secure and available promptly. However, the FDIC does not guarantee the interest rate you were promised on your deposits. Nor does it cover other services and relationships with the bank, such as credit lines.
- In abnormal times, you may also experience delays in getting your money back. And in an unusually extreme scenario, such as a bank holiday, your money could be frozen for an unknown period of time. We

hope that time period would be very short — just a few days. But it could be more, or it could happen more than once.

Situation #3. You have deposits with a bank that are over and beyond the FDIC insurance limits. Or you have bought bank bonds or bank debentures. In most bank failures, you will suffer losses. And even with so-called “too-big-to-fail” banks, you could suffer severe losses as well. Do not count on the government to cover uninsured deposits, bonds or other debts.

To reduce your risk,

1. Avoid bank stocks and bank debentures or bonds.
2. Keep your deposits under the FDIC insurance limit.
3. And for double protection, always favor stronger institutions regardless of insurance protection or other guarantees.

Q. What about long-term care insurance?

A. Beware of the many pitfalls in long-term care insurance. We have received a multitude of questions from readers on this topic. They ask: “Who will care for them in their golden years? How will they cover the cost? Is long-term care insurance really such a good deal as salespeople say it is? For the answers download our free special report, [Weiss Research's Step-by-Step Guide to Long-Term Care](#).

Q. Suppose my bank deposits are over the FDIC insurance limit. Or suppose I'm just losing sleep about this whole situation. Shouldn't I keep most of my money under a mattress?

A: No. A far better alternative is to buy short-term Treasury bills or equivalent. Among all investments available in the world today, U.S. Treasury bills are the safest and most liquid place for your money. But please do not confuse Treasury bills with Treasury bonds. Here are the key differences:

- Treasury bills are short term — under one year.
- Treasury bonds are long term — up to 30 years.

The primary consequences: The longer the maturity, the longer you have to wait for your money. If you don't want to wait, you can sell your bonds (or “notes,” which are between one and 10 years) on the secondary market. But if inflation or other factors have driven down their market value, you will take a loss.

Three-month — or, more precisely, 13-week — Treasury bills don't have that problem. The most you'll have to wait is the three months and you can also cash them in at any time in-between. Any market fluctuations are infinitesimal and simply not an issue.

Q. How I buy Treasury bills?

You can open an account directly with the U.S. Treasury Department, using your Social Security number or your business tax ID number via the Treasury Direct program. (For more information, go to www.TreasuryDirect.gov.)

Or you can buy Treasury bills is through a money market fund that invests exclusively in short-term U.S. Treasury securities or equivalent. The Treasuries it buys enjoy the same guarantee from the U.S. government as Treasuries bought through any other venue.

Plus, the Treasury-only money fund gives you the additional advantage of immediate availability of your money. You can have your funds wired to your local bank overnight. Or you can even write checks against it, much as you'd write checks against any bank checking account. For a list of available Treasury-only money market funds, see [The Ultimate Depression Survival Guide](#).