



Are your funds safe? Recent bank failures have customers wondering about how to protect their investments.



**Dear Clients and Friends
of Hancock Askew & Co.:**

The Federal Deposit Insurance Corporation (FDIC) insures deposits up to \$100,000 per depositor per financial institution. This means that high net worth individuals would have to open bank accounts at an array of banks to ensure protection. The growth of a network called the Certificate of Deposit Account Registry Service (CDARS) is providing a solution to this problem.

CDARS allows depositors to maintain insurance coverage on up to \$50 million, while only having a relationship with one bank. Once the relationship bank is chosen, the account holder can choose CD maturities ranging from four weeks to five years. The relationship bank sets a single interest rate that applies to the

whole portfolio. Member banks distribute deposits in excess of FDIC limits among other institutions in the network, so that no single bank holds more than \$100,000. An account holder with \$1 million in deposits, for example, might have funds spread among a dozen banks, but would still receive just one statement, one Form 1099 and be able to access all of their money from the bank where they initially deposited it.

CDARS gives depositors the benefit of having multiple bank accounts with no more than \$100,000 in each account, without the headache of opening, tracking and managing all those accounts themselves. There are no transaction or annual fees for the service.

Critics of the CDARS network argue that banks pay lower rates on funds in the CDARS network to offset the transaction fees the banks pay to be in the CDARS network. This is not the case with all banks, however. There is also the potential that the relationship bank holding CDARS funds will fail. If this happens, the bank where the FDIC transfers the funds could be added to the network in less than a day. Approximately 2,200 financial institutions across the country offer the CDARS service. You can call your bank or go to www.cdars.com to find out if your financial institution offers the program.

Sincerely,

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