



ALLIANT ADVISORS

FIND DIRECTION



The Navigator

Important Markers To Guide Your Way

October, 2008

Welcome! At Alliant Advisors we have the passion to help our clients Find Direction for both business and personal goals. To support this promise we will continue to send you bits of helpful and useful information through e-mail to keep you up to date on any current changes, due date reminders or other information that may be relevant to your specific needs.

We hope you will enjoy and value this special bulletin regarding the subject of the FDIC insurance program. If you do not wish to receive this information by email please respond to this message and we will remove you from our list. For more information about any aspect of our services, visit www.alliant-advisors.com or call your local office.

The Alliant Team

The recent failings on Wall Street and in the Banking Services sector of the economy have made everyone a bit nervous. We have fielded telephone calls and emails from clients who have expressed concern over something that we all have largely taken for granted – the FDIC insurance program. As you know, currently the FDIC (Federal Deposit Insurance Corporation) guarantees bank deposits up to \$100,000 per customer per institution. While the bailout package that the Senate passed recently might raise this limit to \$250,000, it remains to be seen whether the House will approve the package, and how soon this increased insurance will become effective.

Therefore, for those of you who currently have “uninsured” bank deposits that you are looking to remove from being “at risk,” we offer the following ideas and cautions when moving this money:

Spread the money out – The FDIC guarantee is effective **per customer, per banking institution**. If you transfer money to different banks (**not** just different branches of the same institution), the \$100,000 FDIC will be extended to those accounts as well. **Caution:** Please be sure that the new accounts you open qualify for FDIC insurance (i.e., checking, savings, money market, CDs). “Investment” accounts generally are **not** FDIC insured. Ask the banker at the new institution(s) to be sure.

Distribute it – If you are an S Corporation shareholder, partner in a Partnership or member of a Limited Liability Company, **and you have sufficient basis**, you can distribute the money to yourself. Then, use the distributed funds to individually open a new account at the same bank or another bank or banks, which, for FDIC insurance purposes, would add to any other amounts you personally hold at those institutions. Remember, the amount held at any one institution will not be insured to the extent the total exceeds \$100,000. **Caution:** Remember that distributions do not decrease the taxable income of the company, and S Corporation distributions must be made in proportion to the shareholders' ownership interests or you may forfeit your S election. Please call us to discuss your company's individual situation before making these distributions.

Lend it – If neither of the first two options appeal to you (or you are unable to use either of them), you can always lend the money to the shareholders or others (either individuals or businesses), and they can open accounts with the money, thus, effectively multiplying the \$100,000 FDIC insurance limit. **Caution:** These loans need to be **documented** with a **written** loan agreement. Also, the terms must include **interest** at a **commercially-reasonable** rate. In fact, all of the terms of the loan should be the same or similar to any "arm's length" transaction. Proper documentation is important. Please call us if you have any questions about what might constitute "arm's length" in this situation. Also, if you lend money to an individual, please be aware that the interest paid by the individual to the lending entity will likely be considered **personal** interest, and, therefore, **not** deductible by the individual. And, finally, any interest received on these loans by your company (corporation, LLC, etc.) will be considered **taxable** income to your company.

Obviously, every company's situation will be unique. Please feel free to contact us if you would like to review the specific options available to you and your company.