STARBOARD ADVISORS
YOUR RIGHT OF WAY
A DIVISION OF KELLEHER FINANCIAL ADVISORS, LLC

KELLEHER FINANCIAL ADVISORS

FDIC

The FDIC is an independent agency of the federal government that protects bank depositors against the loss of their insured deposits in the unlikely event of a bank failure. Recently, both Silicon Valley Bank and Signature Bank were closed due to failure. When this happens, the FDIC takes over the bank and assumes responsibility for managing bank assets and debts. Depositors are made whole by the FDIC insurance fund, which covers deposits up to $250,000 per depositor, per bank. The insurance covers uninvested cash in bank accounts which are part of a bank's balance sheet. In addition, the FDIC and Federal Reserve jointly announced that the FDIC would protect all deposits from both Silicon Valley Bank and Signature Bank.

Additional notes on bank insurance:

- Bank customers do not need to "purchase" deposit insurance. It is automatic for any deposit under $250,000 at an FDIC insured bank.
- FDIC insurance covers checking accounts, savings accounts, certificates of deposit (CD's), money market deposit accounts, and cashier's checks/money orders. Deposit insurance does not apply to investment instruments such as stocks, bonds, mutual funds, etc.
- If you bank at a federal credit union, the National Credit Union Association provides similar protections up to $250,000.
- A married couple could have an account in one spouse's name and an additional account in the other spouse's name. Each separate account is insured up to $250,000. The married couple could also have a joint account, which would be separate from their individual accounts. Additionally, accounts in the name of children or family businesses would also separately qualify.

SIPC

SIPC is an additional form of insurance that protects against the loss of cash and securities at brokerage firms (such as Fidelity, Schwab, Pershing, etc). SIPC protects stocks, bonds, mutual funds, money market mutual funds, etc. The limit of SIPC protection is $500,000 which includes a $250,000 limit for cash. SIPC does not protect against loss of market value, rather this insurance exists to offer protection in case a brokerage firm were to ever fail.

Additional Excess of SIPC Coverage

Many of our clients custody their assets at **Fidelity, Schwab, or Pershing**, all of whom offer additional coverage in excess of the SIPC.

Fidelity provides its brokerage customers with additional coverage. Like SIPC, excess protection does not cover investment losses in customer accounts due to market fluctuation. Total aggregate excess of SIPC coverage available through Fidelity's excess of SIPC policy is $1 billion. Within Fidelity's excess of SIPC coverage, there is no per customer dollar limit on coverage of securities, but there is a per customer limit of $1.9 million on coverage of cash awaiting investment.

Schwab offers a similar layer of extra protection, in addition to SIPC protection, through coverage with Lloyd's of London, where in combination with SIPC coverage, they protect securities and cash up to an aggregate of $600 million and is limited to a combined return to any customer from a Trustee, SIPC, and London insurers of $150 million, including cash of up to $1,150,000. This additional protection becomes available in the event that SIPC limits are exhausted.

And lastly, Pershing provides coverage in excess of SIPC limits for Pershing's global client assets as well. Pershing has an aggregate loss limit of $1 billion for eligible securities, in total for all client accounts custodied at Pershing and a per-client loss limit of $1.9 million for cash awaiting reinvestment, within the aggregate loss limit of $1 billion.

Other Asset Protection

Finally, some investment assets offer an additional element of protection. For example, **US Treasuries** are backed by the full faith and credit of the US Government. Although not a guarantee, we believe it is the ultimate protection of assets from default and is without size limitations. In addition, US Treasury Bills with a duration of one year or less are extremely liquid if there arises a need for cash and are state income tax free. If you own a money market fund invested in government securities, which we prefer for cash assets, you are again protected because the assets in the fund are backed by the US Government.

Please contact us with any questions or concerns regarding your assets held either with Starboard/KFA or elsewhere. We hope to be a resource for all of our clients during uncertain times. Thank you.