

What happens to your savings if your bank or financial institution becomes bankrupt?

It's important to be aware if your savings are covered.

If your money is invested in savings and chequing accounts, and/or term deposits such as Guaranteed Investment Certificates (GICs), it could be protected in the event of the failure of your bank or financial institution if it is a CDIC member.

The Canada Deposit Insurance Corporation (CDIC) is a federal Crown corporation which automatically insures various types of savings up to \$100,000 (including principal and interest).

CDIC's member institutions fund deposit insurance through premiums paid on the insured deposits that they hold.

CDIC Members	Not members of CDIC
<ul style="list-style-type: none"> • The six major Canadian chartered banks each have CDIC coverage, as well as most other chartered banks in Canada. • Canadian loan companies and trust companies that take deposits • Associations governed by the Cooperative Credit Associations Act that take deposits <p>You can find a list of current CDIC member institutions on their website, www.cdic.ca.</p>	<ul style="list-style-type: none"> • Credit unions (may be covered by provincial deposit insurance programs) • Caisses populaires (may be covered by provincial deposit insurance programs) • Canadian branches of foreign banks (required by law to inform you they are not CDIC members and that your savings are not insured) • Some Canadian chartered banks (required by law to inform you they are not CDIC members and that your savings are not insured)

Not all products offered by banks or financial institutions are insured by CDIC.

Products insured by CDIC	Products not insured by CDIC
<ul style="list-style-type: none"> • Savings accounts and chequing accounts • GICs or other term deposits with an original term to maturity of 5 years or less • Money orders • Certified cheques • Travellers' cheques • Bank drafts 	<ul style="list-style-type: none"> • Accounts or products held in banks or other institutions that are not CDIC members • Accounts or products in U.S. dollars or other foreign currencies held in a CDIC member financial institution • Mutual funds and stocks • GICs and other term deposits with a date to maturity of more than 5 years • Bonds • Treasury Bills

What is your protection for accounts in your name?

Here are some examples of your CDIC protection if you held your assets in different accounts:

CDIC member products	CDIC Protection
A savings account and a chequing account	$ \begin{array}{r} \$5,000 \text{ in a chequing account} \\ \underline{3,000} \text{ in a savings account} \\ \$8,000 \end{array} $
	You would have \$8,000 insured by CDIC.
A savings account and two GICs	$ \begin{array}{r} \$7,000 \text{ in a savings account} \\ 1,000 \text{ in a 4-year GIC} \\ \underline{5,000} \text{ in a 7-year GIC} \\ \$13,000 \end{array} $
	You would have \$8,000 insured by CDIC because the 7-year GIC is not insured by CDIC.
A chequing account and a GIC	$ \begin{array}{r} \$25,000 \text{ in a chequing account} \\ \underline{110,000} \text{ in a 4-year GIC} \\ \$135,000 \end{array} $
	You would have \$100,000 insured by CDIC.
A savings account, a chequing account and a money order	$ \begin{array}{r} \$2,000 \text{ in a chequing account} \\ 1,000 \text{ in a savings account} \\ \underline{500} \text{ in a money order payable to you and not yet cashed} \\ \\ \$3,500 \end{array} $
	You would have \$3,500 insured by CDIC.

What if you have registered and/or non-registered accounts along with joint accounts?

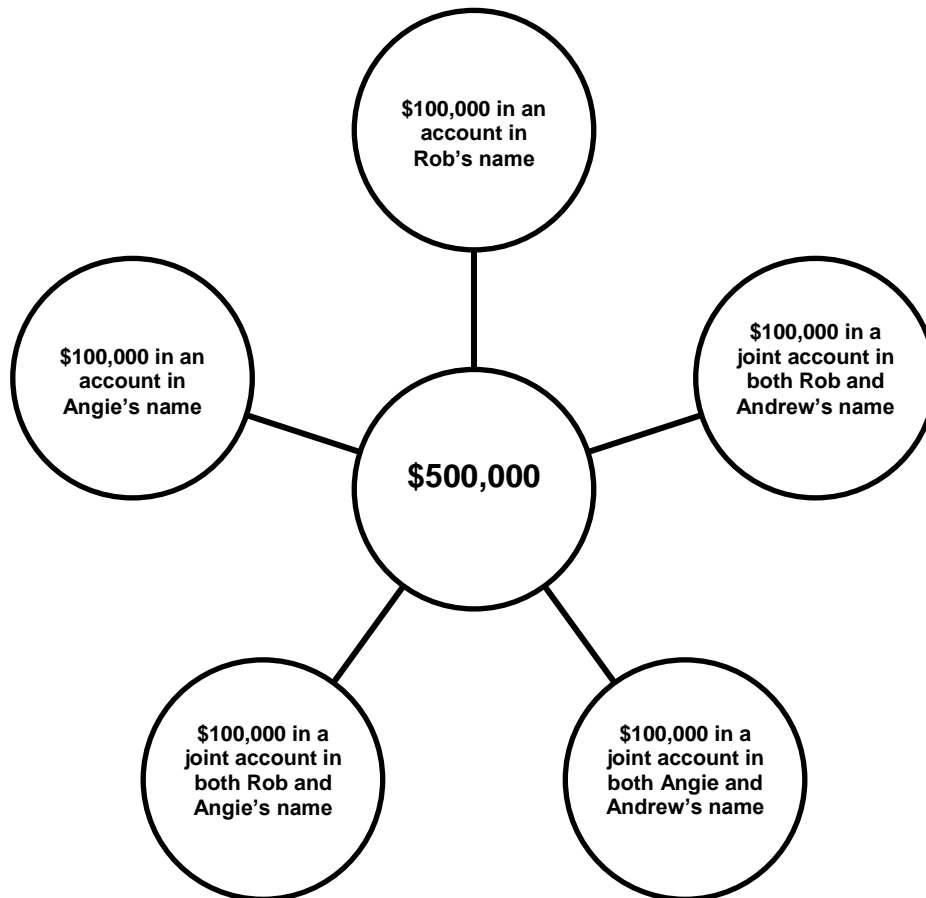
You may have accounts, both registered and/or non-registered, in your name along with joint accounts with others. Here are some scenarios to show how CDIC calculates your overall insurance coverage.

CDIC-insured account	CIDC Protection
Savings held in trust	<p>One beneficiary</p> <p>\$5,000 in a savings account in trust</p> <p>The trust would have \$5,000 insured by CDIC.</p>
	<p>More than one beneficiary</p> <p>\$250,000 in a savings account in trust for two people divided equally (\$125,000 each)</p> <p>CDIC would insure up to \$100,000 for each beneficiary. The trust would receive \$200,000.</p>
Savings held in an RRSP or RRIF	<p>\$1,500 in a 4-year GIC</p> <p><u>700</u> in a savings account</p> <p>\$2,200</p> <p>You would have \$2,200 insured by CDIC.</p>
	<p>\$95,000 in a 4-year GIC</p> <p><u>25,000</u> in a savings account</p> <p>\$120,000</p> <p>You would have \$100,000 insured by CDIC.</p>
Savings held in an RRSP, and RRIF and a savings account	<p>\$70,000 RRSP invested in a 4-year GIC</p> <p>80,000 RRIF invested in a 5-year GIC</p> <p><u>85,000</u> Savings account invested in a 3-year GIC</p> <p>\$235,000</p> <p>You would have \$235,000 insured by CDIC since CDIC considers eligible deposits held in registered accounts separately from other types of savings.</p>
Savings held in more than one name (joint deposits)	<p>\$500 in a joint chequing account</p> <p>The parties would jointly receive a total of \$500 from CDIC.</p>
	<p>\$110,000 in a joint chequing account</p> <p>The parties would jointly receive a total of \$100,000 from CDIC.</p>
Savings held in two different financial institutions that are CIDC members	<p>\$100,000 in a 4-year GIC at Bank A</p> <p><u>95,000</u> in a 3-year GIC at Bank B</p> <p>\$195,000</p> <p>If both banks were to fail, you would receive \$195,000 from CDIC since they are held at different financial institutions.</p>

How to maximize your CDIC protection

It's advantageous to have savings in different accounts so you can increase your overall amount of CDIC protection. This could mean having a savings account solely in your name and also having joint accounts held with other owners.

For example, a Rob and Angie, and their adult child, Andrew, could have \$500,000 in eligible investments that they wish to be fully covered by CDIC. It is possible for the three of them to obtain full CDIC coverage for the \$500,000 if they have solely-held accounts along with joint accounts with each other. CDIC considers each owner or combination of account owners as a separate "person". Rob, Angie and Andrew could have the following CDIC-insurable accounts, each holding \$100,000:



You can learn more about CDIC on their website, www.cdic.ca.

This was the first of RetirementAdvisor.ca's three-part series on the safety of your assets:

Part I CDIC: What happens to your savings if your Bank or Financial Institution becomes bankrupt?

[Part II CIPF](#) : What if your Investment Dealer goes bankrupt?

[Part III Assuris](#): What happens if your life insurer goes bankrupt?

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