



THE BASICS OF SIPC INSURANCE

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Our [August newsletter](#) discussed the basics of the Federal Deposit Insurance Corporation (FDIC) and its role in protecting client funds held at banks or savings associations. This month's focus will be on the Securities Investor Protection Corporation (SIPC) and its role in protecting assets held in brokerage accounts.

ROLE OF SIPC

Established in 1970 by the Securities Investor Protection Act, SIPC is solely designed to protect investors in the unfortunate event a brokerage firm must close due to bankruptcy or other financial difficulties. SIPC also intervenes to protect investors if securities are missing or stolen by a broker. However, it does not protect investors from investment losses due to market fluctuations.

SIPC is not considered a government or regulatory agency. Instead, it is a non-profit corporation funded by its participating members – the securities broker-dealers. Similar to the structure of the FDIC, SIPC's coverage is based on limits set per account type, i.e. individual, joint, retirement, etc. Current coverage is limited to \$500,000 per customer, per account type which includes a maximum of \$100,000 for cash. (see table below) However, brokerage firms may obtain additional coverage through private insurance companies that offer protection beyond the SIPC limits (commonly referred to as "excess SIPC").

AM I COVERED?

According to the Financial Industry Regulatory Authority's (FINRA) website, "Virtually all broker-dealers registered with

the Securities and Exchange Commission (SEC) are SIPC members; those few that are not must disclose this fact to their customers." Before investing with a brokerage firm, make sure the firm and the clearinghouse it uses to execute orders are both registered. You can visit [SIPC's database](#) or call their Membership Department at (202) 371-8300 to confirm. By law, brokerage firms are required to tell you if they are not members of SIPC.

ARE SECURITIES COVERED?

SIPC covers most types of securities held in brokerage accounts – stocks, bonds, cash, equity call/put options and mutual funds. However, it does not cover commodity futures contracts, currencies, and investment contracts not registered with the SEC such as limited partnerships and fixed annuities.

Let's revisit Sam & Sarah Sample from last month to determine the insured status of their assets held at their local brokerage firm. We'll assume all their accounts consist only of eligible securities covered by SIPC (see table on following page).

As with the FDIC coverage, Sam & Sarah have assumed some risk due to balances in excess of SIPC limits. However, they have determined their broker-dealer does carry excess SIPC coverage through an insurance carrier that further protects their securities. They have also determined the financial strength & stability of the firm is well positioned to minimize risk.

Typically asset recovery percentage has been extremely high even when a broker-dealer does not have excess SIPC coverage.

SIPC LIMITS FOR DIFFERENT ACCOUNT TYPES

ACCOUNT TYPE	SIPC LIMIT *
Individual	\$500,000
Joint	\$500,000
Retirement (including IRA's)	\$500,000 per type of account
Trust	\$500,000
Corporation, Partnerships, Associations	\$500,000
Executors, Guardians, Custodians	\$500,000 per beneficial owner

* Other restrictions may apply to some of these limits.

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According to the SIPC website, it has recovered \$160 billion in assets for an estimated 761,000 investors dating back from its inception through December 2008 – a 99% recovery ratio. Consider the following example of the recovery process:

- Client has a \$2 million IRA at ABC Brokerage
- ABC Brokerage fails and total claims reach \$3 billion
- SIPC freezes all accounts including broker dealer assets and is able to recover 80% of the \$3 billion claim
- Client receives \$1.6 million back from the 80% recovery and the remaining \$400,000 is covered by SIPC
- Total loss to client is zero.

Vantage clients can rest assured that accounts managed by us are held only at firms who are SIPC members. For more details on limitations, restrictions and

rules, be sure to refer to the [SIPC website](#). You should also contact your relationship manager with specific questions regarding your account(s).

INVESTMENT ACCOUNTS - SAM & SARAH SAMPLE

TYPE	OWNER	BALANCE	INSURED	UNINSURED
Individual	Sarah	\$575,000	\$500,000	\$75,000
Joint	Sam & Sarah	\$325,000	\$325,000	
	Sarah & Sam	\$325,000	\$175,000	\$150,000
Retirement	Sam's IRA	\$580,000	\$500,000	\$80,000
	Sam's Roth IRA	\$125,000	\$125,000	
	Sam's Uni-K	\$125,000	\$125,000	
Trust	Sam	\$100,000	\$100,000	
	Sarah	\$525,000	\$500,000	\$25,000
Custodial	Susie's UTMA	\$50,000	\$50,000	
Business	Sam's Shop	\$425,000	\$425,000	
TOTALS		\$3,155,000	\$2,825,000	\$330,000

VANTAGE NEWS



MACHU PICCHU

Our globetrotting Director of Planning Services, Sam Swisher, just returned from a recent adventure in Peru. He enjoyed visiting the lost Inca mountaintop city of Machu Picchu and spending two eventful days in the Peruvian jungle fishing for piranha and watching the wildlife. "It was an amazing trip; Machu Picchu was breathtaking!"



SOUTH DAKOTA GET-AWAY

Meanwhile Chief Compliance Officer, Kim Taylor, vacationed a little closer to home, traveling to South Dakota for a get-away. She had a fabulous time exploring the many fascinating wonders of South Dakota with her children Josh and Niki, and the time spent together as a family prior to the start of the school year was the best!

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