

Are You Protected in the Current Financial Crisis?

What the safeguards are—and aren't—for various account types.



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"Is my money safe?"

If you've been asking yourself that question over the past few weeks, you're not alone. The ongoing shakeout in the financial-services industry has affected a large number of big firms, all of which have many clients with many different types of accounts. With the tentacles of the current crisis extending far and wide, it's only natural to wonder if you need to take action to keep your money safe from further trouble.

Here's a review of what safeguards investors have if they have financial dealings with any of the firms that are currently in the news.

Checking and savings deposits and CDs

If you own any of these instruments, your first step is to make sure the institution where you hold that account is insured by the Federal Deposit Insurance Corp. As it turns out, Lehman Brothers LEH and Merrill Lynch's MER banks are FDIC-insured, meaning that up to \$100,000 in the above-mentioned short-term accounts at those firms would be insured against loss, and the FDIC would make you "whole" if your account value dropped below the amount you put in. You can use the tool on this site (http://www4.fdic.gov/idasp/main_bankfind.asp) to see if your institution is FDIC insured.

No matter what, it pays to make sure that you're not holding more than \$100,000 in short-term assets at any one financial institution, because any amount over that threshold would not be insured. That \$100,000 figure applies on a per-person, per institution basis; if you and your spouse jointly hold less than \$200,000 in checking, savings, or CD assets at an FDIC-insured institution, your assets would be insured. The threshold is \$250,000 for short-term assets held in an individual retirement

account; for complete details on coverage, check out the FDIC's Web site (<http://www.fdic.gov/deposit/deposits/insuringdeposits/index.html>). It's worth noting that FDIC insurance is not available for some other seemingly safe investment types, such as money market funds, short-term bonds and bond funds, and municipal bonds and bond funds. That means that if you're socking away money and can't afford to see your principal value decline at all, you'd best hold it in an FDIC-insured account.

Brokerage Accounts

If you hold a brokerage account at a financial firm that's failing or at risk of doing so, you too have protections. In Lehman Brothers' case, the firm has indicated that its client assets are all accounted for. The securities in those client portfolios can decline in value, of course, just as with any brokerage account, but Lehman has indicated the assets are otherwise safe.

If, under a worst-case scenario, a brokerage firm fails and there are assets missing from client accounts, those assets are protected by the Securities Investor Protection Corporation. Again, the SIPC coverage doesn't mean that your accounts can't decline in value based on fluctuations in the securities you hold. It does mean, however, that if assets are missing from your account due to the brokerage's failure, the SIPC will help replace the missing securities in your portfolio. Visit the SIPC's Web site (<http://www.sipc.org/>) for more details on the types of accounts that it covers.

Mutual Funds Offered by Affected Firms

In addition to filing for bankruptcy protection, Lehman Brothers has indicated that it is seeking a buyer for its Neuberger Berman asset-management arm, which offers mutual funds, among other products. So what does that mean for investors in Neuberger Berman funds? In the near term, nothing. A press release on Neuberger's Web site (<https://www.nb.com/public/DMA/MYP/home.htm>) indicates that the firm is still conducting business as usual (as usual as business can be when your parent company has filed for bankruptcy protection and your firm is reportedly on the block, that is). The

Neuberger release also notes that Neuberger Berman client assets are segregated from Lehman assets, and therefore are not available to general creditors of Lehman Brothers.

If and when Neuberger Berman is purchased by another firm, investors in those funds will want to consider whether the sale affects their holdings' "fundamentals"—for example, are managers and analysts leaving due to the change in ownership, or are expenses going up? Until then, however, investors in Neuberger Berman funds don't have reason to panic.

Investors in BlackRock mutual funds have even less cause for alarm. True, Merrill Lynch owns nearly half of BlackRock, and Merrill just agreed to be acquired by Bank of America. Nonetheless, BlackRock operates as an independent company, so shareholders in the firm's funds shouldn't experience big changes—if any—as a result of the Merrill sale. And in any case, the deal is in its earliest stages.

Stocks in the Affected Firms

If you own stocks of any of the companies that are currently in the news—or if one of your mutual funds does—you're not entitled to the same protections as the investors in the situations I've outlined above. Your best bet is to do your homework—including reading Morningstar Analyst Reports—to determine whether you're better off selling or hanging on in the hope of a rebound. We've recently updated our reports on Merrill Lynch MER and Bank of America BAC, to name just a few of the firms that have recently been making headlines.

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