

June 30, 2004

Rita Hamel, Vice President, Branch Administration
GFA Federal Credit Union
P.O. Box 468
Gardner, MA 01440

Re: Share Insurance Coverage for Living Trust Accounts.

Dear Ms. Hamel:

You have asked about the extent of NCUA share insurance coverage for funds held in two accounts established by a member in connection with a living trust in which the account owner's son and daughter are beneficiaries. In accordance with our share insurance rules, the interests of the son and the daughter are each insured up to \$100,000, separate from any individual accounts of the member or the beneficiaries, for a total of up to \$200,000.

Living trust accounts are insured under the revocable trust provisions in our share insurance regulation. 12 C.F.R. §745.4(e). The regulation provides separate insurance of up to \$100,000 per "qualifying" beneficiary. A qualifying beneficiary is the spouse, child, grandchild, parent or sibling of the owner of the account. 12 C.F.R. §745.4(b).

You have indicated that the interest of each beneficiary is equal. For insurance purposes, because the two accounts are maintained by the same individual for the same beneficiaries, the interests of the beneficiaries are aggregated and insured to \$100,000 as to each beneficiary. 12 C.F.R. Appendix, §745 B. Because there are only two qualifying beneficiaries, the accounts are insured to \$200,000 in the aggregate. Any balance over that amount is uninsured.

You indicated that, at present, neither the son nor the daughter is a credit union member. Share insurance is available for the interests of qualifying beneficiaries in revocable trust accounts even if they are not credit union members. 12 C.F.R. §745.4(b). You have also indicated that, on the death of the owner, the daughter is entitled to her 50% interest outright, whereas the son's interest is to be held in trust for him until he reaches age fifty. After the death of the father, the son's trust interest becomes irrevocable. The interest would still be insurable, separate from any individual accounts owned by the trustee or the son. 12 C.F.R. §745.9-1(b). In order for the credit union to maintain a trust account for the son under those circumstances, however, the son would need to become a credit union member. Under our rules, either the settlor or the beneficiary of an irrevocable trust must be a member of the credit union. 12 C.F.R. Appendix 745 G. Since the death of the father (settlor) terminates his membership, the son would need to become a member, or the credit union would not be permitted to maintain the account. Id.

Sincerely,

Sheila A. Albin
Associate General Counsel

OGC/RPK:bhs
04-0625