

**1) Check your FDIC insurance coverage limits.**

- a) **Understand what the FDIC insures ... and what it does not.**

The FDIC insures all deposits at insured banks, including checking, NOW and savings accounts, money market deposit accounts, and certificates of deposit (CDs) up to the FDIC's insurance limit. The FDIC does not insure stocks, bonds, mutual fund shares, life insurance policies, annuities, or municipal securities, even if the small business purchased these products from an insured bank.\*
- b) **Use the FDIC's Electronic Deposit Insurance Estimator (EDIE) to calculate the exact amount of insurance coverage that your small business has at each insured bank.** EDIE is located on the FDIC's Web site at [www.fdic.gov/edie/](http://www.fdic.gov/edie/).
- c) **Understand how the FDIC defines account ownership categories to maximize insurance coverage.**

The FDIC considers "single accounts" of sole proprietorships as personal accounts (not as business accounts) when calculating insurance coverage. Single accounts are deposits owned by one person. If more than one person is a signatory to an account and they have equal authority to withdraw funds, the FDIC may include these funds in the "joint category" thus allowing the sole proprietorship additional FDIC insurance.\*
- d) **Remember: the increases in deposit insurance will expire.**

Increases in deposit insurance coverage for non-transaction accounts expire on December 31, 2013 and for transaction accounts on June 30, 2010. Depositors should continue to monitor not only deposit insurance limits, but also what is and is not covered by the FDIC.
- e) **Ask your bank if it provides extra insurance coverage through CDARS.**

If a small business has deposits at a bank that exceed the FDIC's insured coverage limit, CDARS (Certificate of Deposit Account Registry Service) can provide protection. It enables banks to offer up to \$50 million in federal deposit insurance by spreading the deposits among several banks (thus spreading the risk) and allowing customers to keep all of their deposits in one bank. More than 2,000 banks offer this service. Also, consider splitting deposits among additional FDIC-insured banks.
- f) **Make sure "sweep accounts" are "swept" into FDIC-insured accounts.**

"Sweep accounts," set up to earn interest on small business deposit accounts, should be swept into FDIC-insured accounts. If your bank doesn't offer a sweep option, make sure it collateralizes the swept deposits with U.S. government securities.
- g) **What if your bank merges with another bank?**

If two insured banks merge, the FDIC provides separate insurance coverage for deposits at both institutions for a limited time. This grace period allows small business owners time to restructure their accounts to maintain full FDIC insurance coverage on all their deposits. The length of the grace period varies by the type of deposit account.\*

**2) Review the viability of your business plan.**

- a) Make sure your business plan has three scenarios: best case, most likely, and worst case. Be prepared to execute each one.
- b) Review your business plan with trusted financial advisors including your banker, your accountant and your lawyer. Ask for their input and revise the plan as appropriate.
- c) If your plan calls for expanding your business, reassess the business/market needs for this expansion. Previous assessments may not be valid given today's economic uncertainty.

**3) Keep your banker in the loop.**

- a) Provide updates on how your business is weathering today's economic storm.
- b) Make sure you share all of the news— the good, the bad and the ugly. Bankers do not like surprises.
- c) Ask for feedback on your revised business plan scenarios.

**4) Conserve cash.**

- a) Withdraw cash from your business only when absolutely necessary. Think twice about taking money out of your business to support a lavish lifestyle. Bankers are unlikely to replace these funds (via a loan).
- b) Review how your business collects, disburses, and invests cash. Ask your banker to review your cash management systems to boost available cash flow. Your goal should be to accelerate your receivables, maximize your investment income and pay bills on time.

**5) Keep your suppliers informed of your financial situation.**

Trade credit is an important source of funds for most businesses. It is important to maintain good relations with suppliers since they provide you with the products and services you need to run your business as well as the credit to finance them. If you think your business might experience a cash flow problem, ask suppliers if they would consider extending their trade credit terms to you. Every dollar of trade credit extended is one less dollar that you will need to ask your banker for.

*\*Source: FDIC*