

One of my first jobs after law school was representing the Federal Deposit Insurance Corporation (FDIC). The small law firm where I worked had a contract to help the FDIC and the Resolution Trust Corp clean up the savings and loan crisis of the 1980's. In 1986, 441 thrift institutions were deemed insolvent. That year alone, Congress pumped in \$8.2 billion to restore confidence in the banking industry, prevent runs on banks and deal with depositor claims.

Over the next decade, the total cost to the U.S. Treasury would be a total of \$20 billion with an additional \$30 billion coming from long term bonds. In the aftermath, banks closed, politicians were booted out of office and the U.S. Attorney General indicted several high profile bankers and elected officials. Congress and the industry promised "never again."

Did we learn our lesson? Apparently not. The present bailout measured in trillions makes the savings and loan crisis look like a small hiccup in our economy.

Presently, the FDIC insures over 8000 banks with \$13.5 trillion in assets. As of last month, 64 banks have already gone under this year. The cost to the FDIC? Thus far \$12.5 billion. But the crisis is far from over.

Unfortunately, the FDIC is running out of money. It's reserves are already down to \$13 billion, the lowest point since the savings and loan crisis. And the most recent research shows that there are well over an additional \$200 billion in deposits at banks teetering on the edge of insolvency. If even a handful of these banks fail, the FDIC will run out of money.

Until last year, the FDIC had reserves of at least one cent for each dollar of covered deposits. In just one year, however, that reserve has dropped down to just two tenths of one penny per dollar of covered deposits. Not a comforting thought in this economy.

Congress is not likely to allow the FDIC and banking system to fail. But preventing a catastrophe will cost hundreds of billions of additional dollars. Dollars that will further erode the value of the dollar and / or lead to higher taxes. For those of us still lucky enough to have a job, it probably means both. And at some point, Congress may need to further limit the size of the deposits it can insure.

Presently the FDIC insures accounts up to \$250,000 per depositor. That amount is scheduled to drop dramatically to just \$100,000 on January 1, 2014. Who knows if the FDIC can afford to maintain this level of protection until then? And more importantly, if we are hit with hyperinflation several years from now, how much protection will this really be in present day dollars?

Fast forward to 2009. Almost 3 decades later, my law practice now concentrates on asset protection. Many folks today are seeking high quality asset protection to better preserve their hard earned money. Worries about litigation risks and loss of privacy abound in our rapidly changing world.

Within the asset protection community, we now see clients seeking to further hedge their risks

by creating asset protection structures that diversify their holdings and do not solely rely on the political and financial future of the United States. Be it foreign accounts or foreign constructs or both, many folks are no longer comfortable with all heir eggs in one basket.

Will the FDIC be there if the banking system collapses tomorrow? I do not have the answers. I do know, however, that the time to protect yourself and family is now. Don't wait until its too late.