



## On Course | April 11, 2023 | Volume 23, #3

Welcome. We at Compass Planning continue to appreciate your support. Thank you.

For the last few weeks clients have asked many questions about the SVB (Silicon Valley Bank) collapse. So we thought this would be a good time to review best practices and places for your savings and money as well as how to think about the banking system in general.

If you missed our series on retirement, you can still access the issues. For Retirement, Part 1 - Retirement Savings, click [here](#). For Retirement, Part 2 - Social Security, click [here](#). For Retirement, Part 3 - The Retirement Paycheck, click [here](#).

If you're concerned about your personal banking, we have some ideas. If you would like assistance understanding how to protect your money, we are here to help you stay *On Course!*



Jennifer Lane, CFP



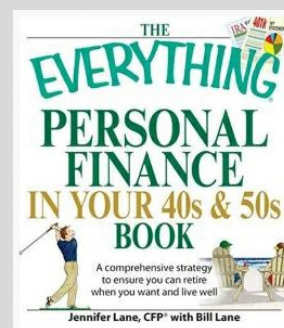
People who succeed in building strong personal finances are not necessarily those with high income, but those who have targeted their habits and their resources toward achieving those goals. Balancing spending now with spending later is a key part of this.

Get more tips in Jennifer's book

### Your Money and the US Banking System

#### The banking system

- Many SVB depositors were uninsured, creating serious concerns for the bank and for the government. In a significant decision, the government moved to protect uninsured depositors as SVB closed so that depositors with more than \$250,000 in the bank would be able to get their money back.
- The banking industry will continue to experience turmoil, e.g., First Republic and others. In addition, many banks, including Bank of



America, Morgan Stanley, and Barclays are holding on to some high yield debt that might be difficult for them to sell. You might continue to see changes or turmoil in the banking system as this all gets worked out.

### Keeping your money safe

- Know where your money is and understand how FDIC, DIF, MSIC, and SIPC insurances work.
- **FDIC** (Federal Deposit Insurance Corporation) is an independent agency of the US government established during the Great Depression that insured bank deposits if banks failed and to help give people higher confidence in the banking system. Most banks are members of FDIC and so depositors are insured up to \$250,000 per bank per depositor.
- **DIF** (Depositors Insurance Fund) is a Massachusetts industry-sponsored insurance fund that insures all deposits above FDIC limits at its member banks.
- **MSIC** (Massachusetts Credit Union Share Insurance Corporation) insures excess shares and deposits above the FDIC limits at its Massachusetts member credit unions.
- **SIPC** (Securities Investor Protection Corporation) provides limited asset protection, but not insurance, for the cash and securities of the customers of failed investment brokerages.
- It became clear early on with SVB, that many, many depositors were uninsured. Think back to Y2K, when everyone was concerned that bank computers and financial system computers might fail as they switched to the next century. People put their money into more than one bank, which makes sense. If you have your money in a large bank, say Eastern Bank or Bank of America, and suddenly systems become disrupted, having money in a local credit union or in your brokerage account gives you easy access to cash.

### Trustees and directors of nonprofits

- Clients have also called asking what their financial responsibilities were to the organizations they supported as either trustees or directors.
- First, know that trustees and board members can personally be held financially responsible in some circumstances.
- Board members are the fiduciaries who steer the organization towards a sustainable future. Read this [article](#) from the Council of Nonprofits that outlines board member responsibilities.
- Make sure you have strong financial management policies so that the nonprofit has adequate resources to advance its mission.
- Check with the organization to understand their directors & officers liability insurance coverage.
- Read this [article](#) from Charity Lawyer that explains the difference between trustees and board members.

### Coming in July – FedNow

- **FedNow**, a federal government payment system, will allow member banks to instantly transfer money, similarly to Venmo or Zelle.
- The pilot program includes the federal government and U.S. Treasury, which could begin using FedNow to pay social security benefits.
- The hope is to replace ACH (Automated Clearing House), which can take up to three days for a transfer from one bank to another.

## Helpful Websites

### [Charity Lawyer Blog](#)

### [National Council of Nonprofits](#)

### [National Credit Union Administration](#)

### [WSJ - subscription needed Junk Debt Turmoil in Banking Industry](#)

Below are links to Jennifer's frequent contributions to financial planning articles.

- NBC Boston turned to Jennifer for advice and tips on what to do if you win big in the lottery. Click [here](#) to watch or read the segment.
- Jennifer contributed to a WBUR Radio Boston segment, ***How to Look Before You Leap into the "Great Resignation."*** Click [here](#) to listen.
- NBC10 consumer investigative reporter Leslie Gaydos interviewed Jennifer for savings tips. For a great video, ***How to Save \$1,000 in 5 Months***, click [here](#). For the written article, click [here](#).
- Jennifer contributed to a timely article, ***How to seek forbearance on your mortgage***, for The Boston Globe. [Read article.](#)
- If you're interested in dividend funds, Jennifer contributed to **The New York Times** article, ***Dividend Funds Can Add Income, and Risk, to Your Portfolio.*** [Read article.](#)
- Jennifer contributed to a **BankRate** article, ***Should I combine my mortgage and student loans?*** [Read article.](#)
- Need help with your 401(k) during the pandemic? Jennifer contributed to a **Boston Globe** article, ***Five tips for managing a 401(k) during the pandemic's turbulence.*** [Read article.](#)
- Jennifer contributed to the **Bottom Line Inc** article ***Prepare your Finances for a Possible Recession.*** [Read article.](#)
- Jennifer contributed to **The Wall Street Journal** article ***If Saving During a Pandemic Is Hard, Here's How to Stay Motivated.*** [Read article.](#)
- The **New York Times** featured Jennifer in an article titled, ***Balanced Funds Don't Inspire Fear or Greed. That's Why They Are So Useful.*** [Read article.](#)
- With a contrarian view, Jennifer contributed to an article, ***People are enraged by the idea that you should have twice your salary saved by the time you're 35!*** published recently by **Business Insider**. [Read article.](#)
- Moving in together? Check this article from **Business Insider**, ***Five questions you and your partner should answer before taking the biggest step in your relationship.*** [Read article.](#)
- **Insider** asked Jennifer to contribute to an article on old fashioned ways to manage your money, ***Six money-saving tips your grandma used that are way more effective than any budgeting app.*** [Read article.](#)
- Jennifer contributed to an article on **Business Insider**, ***This is the best way to do your taxes online - according to experts.*** [Read article.](#)
- **CNN Money's** Money Moves featured Jennifer in an article on how to strike the right balance between retiring early and saving enough. [Read article.](#)
- Jennifer contributed to a **CNN Money** article ***When is the Right Time to See a Financial Advisor?*** [Read article.](#)

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## Compass Planning News

- Compass Planning is a sponsor of YW Boston's 2022 two-part [Elevating Lives Series](#).
- Compass Planning continues to meet with clients as well as those interested in learning more about the firm via phone and web-based video conferencing. Email [info@compassplanning.com](mailto:info@compassplanning.com) to learn more.
- Compass Planning has become a supporter of [The Center for Financial Planning](#) at the sustainer level. The CFP Board created the center to achieve a more diverse and sustainable financial planning profession so that every American has access to competent and ethical financial planning advice.

*Compass Planning Associates helps families, individuals, and small-business clients achieve financial security, knowledge, and control over their money. Our fee-only, client-centered approach provides education and guidance for achieving financial goals and dreams.*

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