

What Can Churches Do in Response to the Recent Bank Failures?

By Nathan Davis, Senior Manager, and Rob Faulk, Partner

On March 10, 2023, trading was halted for [SVB Financial Group](#), the parent company of Silicon Valley Bank. Two days later, the New York State Department of Financial Services [closed Signature Bank](#). Together, these represent the largest bank failures since the 2008 financial crisis, according to [Federal Deposit Insurance Corporation \(FDIC\) data](#). As a result, there has been significant concern within the U.S. financial markets about the stability of the banking industry. It also has increased focus on the risk associated with deposits over the FDIC-insured limit of \$250,000.

So, what does this mean for your church? How can you make sure your church is protected against future bank failures? Below are some suggestions for next steps and ways you can mitigate your risk.

Diversify Your Cash Balance

One option churches have is to diversify their cash balances across multiple financial institutions so that each balance is below \$250,000 and fully insured. It can be a significant amount of work to set up and maintain multiple cash accounts for your church, however. A solution like IntraFi Network may be able to help.

According to [the company's website](#), IntraFi allows depositors at its nearly 3,000 network institutions to access multi-million-dollar FDIC protection while maintaining one traditional banking relationship. Many of the banks in the network are within the church banking space. You can learn more about IntraFi [here](#) and see whether your current bank is a member.

Cash Laddering

Another option for churches is cash laddering, the practice of investing excess cash in low-risk investments (typically bank CDs) with different maturity dates over the course of a year or two at different financial institutions. Because bank CDs are federally insured up

to \$250,000, churches can use this strategy to ensure that all excess cash is secure.

Here's a quick example: Suppose your church has \$1 million in excess cash beyond your operating cash and you have chosen the cash laddering system to protect it. You don't anticipate needing the cash all at once but would like to have access to a CD every three months. Therefore, you decide to buy the following CDs, each at a different institution:

- \$250,000 CD maturing in three months
- \$250,000 CD maturing in six months
- \$250,000 CD maturing in nine months
- \$250,000 CD maturing in 12 months

As each of these CDs matures, if you do not want to use the cash for ministry, you could use it to buy another 12-month CD. Therefore, you will consistently have access to \$250,000 every three months as your CDs mature.

Use an Insured Bank Deposit Program Through Your Investment Provider

Many financial services firms have an insured bank deposit program that can insure your cash beyond the \$250,000 FDIC limit. For example, Edward Jones has an [Insured Bank Deposit program](#) that can provide up to \$2.5 million of FDIC insurance coverage. If your bank is not a member of a solution like IntraFi, an insured bank deposit program like this could be a great alternative option.

As you can see, there are several solutions to help your church protect and steward your funds during this time of uncertainty. If you have any questions about these options, please [reach out to us](#) and we will be happy to assist you.

This article has been updated.

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