SPECIAL REPORT:

Why Your Bank Account Isn't As Safe As You Think

If you believe a bank is the safest place for your money, you need to read this report.

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***"I am more concerned with the return of my money than the return on my money."*—Will Rogers**

The saying, "Like money in the bank," indicates something you can count on, something as good as guaranteed. But are banks still safe in 2022? Most people assume they are. After all, it's been a while since bank collapses have been headline news. Plus, there's FDIC insurance, right!?

Unfortunately, all is not as it seems. The truth is, banks provide far less security than most people believe. Today's banking system, as you'll soon see, may be more like a house of cards than an armored safe.

It's time to pay attention to the warning signs and begin asking, "Is my bank account safe?" Today we'll cover the most common creditors, predators and systemic concerns that could impact your bank account. Here's what we're covering:

- Bank Fraud and Cybercrime
- Bank Mistakes and Policies
- Civil Forfeiture and Government Corruption
- IRS and Creditor Debt
- Systemic Banking Issues
- Liquidity Concerns
- FDIC Shortcomings
- Bank Bail-ins
- Privacy Concerns

Bank Fraud and Cybercrime

When much of commerce-as-usual went online during the pandemic, it created huge opportunities for online fraudsters and hackers. In 2021, the FTC received 2.8 million fraud complaints from consumers[1]—a whopping 70% increase from the year before.

Likewise, the dramatic rise in online and mobile banking created favorable conditions for cyber-thieves. The ABA Banking Journal reported a hefty 41 percent rise in fraud[2] involving banking and payment apps. Criminals hacked apps, personal information and bank security. And as incidents increased, the losses became larger and more costly to prevent or replace.

"Hey, Where's My Money?"

Several bank customers in Oak Park, Illinois, experienced mysterious bank withdrawals totaling more than $40,000.[3] Bank account and routing numbers were used to withdraw the money for a supposed medical center, but none of the charges were legitimate. The scheme impacted

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[1] https://www.ftc.gov/news-events/news/press-releases/2022/02/new-data-shows-ftc-received-28-million-fraud-reports-consumers-2021-0

[2] https://bankingjournal.aba.com/2022/01/study-banks-see-rise-in-fraud-attempts-associated-costs-in-2021/

[3] https://youtu.be/BNemLeuL0J0

customers of Chase and USAA Banks and nearly drained accounts. One customer could not get his bank to take action until he got the media involved.

Perhaps the most damaging recent scams hit BB&T Bank and Truist Bank customers. (BB&T merged with Suntrust to become Truist.)

The owners of Johnny Pistolas Taqueria Bar in Washington, D.C., lost about $460k in 8 hours[4] through about 25 fraudulent wire transfers. They were not notified of the breach while it was happening. As of May 2022, the family had only recovered about half the money lost at the end of December 2021.

About the same time, Virginia contractor Ricky Hagenbuch had his Truist bank account cleaned out by hackers.[5] Adding insult to injury, some of the five wire transfers occurred while he was on the phone with Truist and after the bank claimed his accounts were frozen and locked. And just minutes after his own account was drained, the hackers emptied his son's account.

Also in Virginia, Dianne Dennis had her Truist account cleaned out through a fraudulent direct debit that took $25,000. "It was my income, everything for about the past three years," she said. Both Dennis and Hagenbuch have spent countless hours fighting to get their money back. Often, bank customers must convince a bank the charges were not legitimate and that they did not give any of their private information to the hackers.

The Zelle Problem

Banks assisted in the development of the Zelle system, a quick and simple way to transfer money from one person's account to another. Unfortunately, the system has also made it easier for scam artists to transfer money into their accounts.[6] Scammers talk customers into sending them money or revealing their data through elaborate cons, often pretending to be their banker.

Megan MacDonald received an urgent text that appeared to come from her bank. She was then contacted by someone from a Wells Fargo phone number who told her they were a Wells Fargo representative and that she had a fraud attack. Panicked, she gave her account information to

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[4] https://www.fox5dc.com/news/hackers-steal-over-400000-from-adams-morgan-restaurant-owners
[5] https://www.fox5dc.com/news/local-business-owners-report-losing-thousands-from-scams-targetting-truist-bank-accounts
[6] https://www.nbc4i.com/news/investigates/dont-waste-your-money/why-so-many-people-are-falling-for-zelle-scams/

the man she thought was a helpful customer service agent. But it was a scam. Within minutes, he transferred $3,000 out of her checking account through a Zelle transfer.

Catina Brown fell victim to a text message that appeared to be from her bank, claiming her account was locked due to fraud. The message asked if she had tried to Zelle someone $5,000. She said no and gave her account number to try to stop the fraudulent transfer. Immediately $1,000 was transferred out of her account by a thief.

Damon Lander was another victim. He didn't even know what Zelle was when he received a phone call about a problem with his bank account. As soon as he gave his account information, "they changed my username, my password, my card PIN, and set up a Zelle account." Several thousand dollars were transferred out.

Sadly, bank policies that may reimburse customers in some instances don't apply to such scams. Since the scams involve naïve customers rather than failed bank security, banks are reticent to make the victims whole. A *New York Times* headline summarized the situation, "Fraud is flourishing on Zelle.[7] The Banks Say It's Not Their Problem."

Bank Mistakes and Policies

Unfortunately, banks themselves can also be the *cause* of losses. Take the case of Brian Leonard, whose $33,000 cashier's check deposit[8] in a Bank of American branch in California went "missing." Even though he had a copy of the check and teller receipts, the transaction did not post to his account.

Leonard returned to the bank a couple days later, only to discover the branch had closed following his deposit as part of a planned closing. He went to another bank branch—also closed. At a third branch location, he was told by the tellers and bank managers, "Sorry, there's nothing we can do!"

This issue of the missing $33k was resolved in a week, but only after Leonard contacted the bank CEO, the federal government and a consumer protection media show.[9]

Unfortunately, this is not an isolated incident. British investor Neil McCoy-Ward found two entire bank accounts had gone "missing." He even made shocking secret recordings[10] to document the theft. After presenting his bank statements and records, the bank finally

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[7] https://www.nytimes.com/2022/03/06/business/payments-fraud-zelle-banks.html
[8] https://www.newsweek.com/man-thinks-he-loses-33000-deposit-temporary-bank-closure-mishap-1675914
[9] https://youtu.be/Kqlu7v1DPBU
[10] https://youtu.be/SxAukbPLKVE

admitted the accounts did exist - but had been given over to the government (for reasons not specified at the time).

According to a CBC report on disappearing bank deposits,[11] Scotiabank lost $21,000 of certified checks deposited by Ashley Robinson. TD Canada Trust lost $17,000 of Jesse Hardy's money. It took him nearly a year to resolve it in a stressful process.

"It was a huge strain on me," said Hardy, who needed the money to help his mother. "To me, it just seems like they did not care… it was like, 'We're the bank. We hold all the cards here and you're one out of a million customers. Your problem is irrelevant to us.'"

Some customers have also found their savings accounts have a "use it or lose it" feature. In the U.S., accounts left inactive, sometimes for as little as one year, can be surrendered to the state treasurer.[12] The process is known as escheatment. (Hard not to notice escheatment includes "cheat") A customer can get the money back—assuming the accountholder or their heir notices and asks—but it takes time to pursue.

The Government: Civil Forfeiture

Escheatment isn't the only process by which the government can end up with the dollars in your bank account. Bank accounts can be frozen or seized if a person is suspected of engaging in potentially illegal behavior. This is called "civil forfeiture" and is often applied to property thought to be involved in a crime, such as a car used in a drug deal or robbery. However, bank accounts have also been seized when a person or business is accused of "structuring" deposits.

The IRS used civil forfeiture to seize more than $68,000 from Vocatura's Bakery because the owners deposited cash in the bank in amounts under $10,000. The IRS kept the money for three years, trying to pressure the Vocaturas to plead guilty to criminal charges of "structuring" bank deposits. When the owners refused to confess to a crime, the IRS launched a retaliatory investigation. It wasn't until a federal lawsuit was filed through the Institute for Justice that the IRS agreed to return the bakery's money. (However, even that did not stop the disruptive investigation.)

Iowa restaurant owner Carol Hinders had $33,000 seized[13]—her entire bank account. Convenience store owner Lyndon McLellan had $107,000 seized by the government[14]—money

[11] https://www.cbc.ca/news/business/banks-lost-deposits-missing-1.4512196
[12] https://www.consumerismcommentary.com/inactive-savings-accounts/
[13] https://ij.org/case/iowa-forfeiture/
[14] https://www.dailysignal.com/2015/05/11/the-irs-seized-107000-from-this-north-carolina-mans-bank-account-now-hes-fighting-to-get-it-back/

that took him 13 years to save. (Ironically, a bank teller had suggested smaller deposits to McLellan's niece, explaining that larger deposits required extra paperwork.) The IRS seized a whopping $447,000[15] from a Long Island family business that distributed candy and other products to convenience stores. In each case, funds were returned only after lawsuits.

Alarmingly, an accusation is all it takes. Money can be seized without charges filed or proof of wrongdoing. Depositing amounts less than $10,000 alone is not a crime, yet can be treated as such. It is then up to the person who has been robbed to prove their cash was not involved in illegal activity.

Often, seizures benefited the law enforcement taking the assets, using it to pad their budgets. Reports from the State of Michigan[16] and The Heritage Foundation[17] both showed abuses, demonstrating that seized assets were used to fund trips, toys, new equipment and, in one case, a margarita machine.

From 2005 to 2012, the IRS seized more than $242 million for suspected structuring violations in more than 2,500 cases. The Institute for Justice called this a "Seize First, Question Later" policy.[18] The IRS claimed the funds were illegally 'structured'—deposited or withdrawn in small amounts designed to evade reporting requirements imposed on banks—and simply took the money.

At least a third of those cases arose from nothing more than a series of cash transactions under $10,000, with no other criminal activity alleged. Four out of five IRS structuring-related forfeitures were civil, not criminal, so the IRS faced a lower evidentiary standard. Amazingly, a conviction or even accusation was not required to seize the cash. And owners faced an uphill battle fighting to win it back.

The Government: Uncle Sam

While some would argue that "taxation is theft" even when voluntarily paid, the IRS also seizes funds in bank accounts when people have not paid their taxes. And while yes, taxes may be

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[15] https://ij.org/press-release/new-york-civil-forfeiture-nightmare-ends/
[16] https://www.michigan.gov/-/media/Project/Websites/msp/gcsd/pdfs/2014_Asset_Forfeiture_Report.pdf?rev=78c634ce38b242088e47fb018ac90a31
[17] https://www.dailysignal.com/2015/10/16/report-shows-michigan-police-seized-over-23-million-in-property-and-cash-last-year/
[18] https://ij.org/report/seize-first-question-later/

indeed owed to the government, there are many reasons why people (or businesses) get behind on taxes.

Many questions can be raised about this. Should the IRS have the power to garnish Social Security?[19] (They do in some but not all situations.) Should the IRS be able to confiscate the funds of someone fighting cancer? (They don't inquire about your medical status.) Should a person owe taxes after they're dead?[20] (They do, and it is not unusual for debts to be settled by an estate.)

There are also cases where it is not yet clear if taxes are truly owed. Either way, when money suddenly vanishes, it can be extremely disruptive to one's life and livelihood. And unlike other creditors, the IRS does not have to issue a judgment in order to collect.

Private Creditors

Unfortunately, the IRS isn't the only creditor banks cooperate with. Private creditors can also access your checking or savings account. If you don't pay your debts or if you fail to respond to a judgment—even if the debt is inaccurate or contested—the money in your bank account could be at risk.

If a creditor obtains a judgment from a court, it can then collect the amount through a procedure called "levying" (seizing) your bank account. Money can vanish from your account with no warning. The creditor shows the bank the judgment and the bank must relinquish the funds.

Imagine going to pay your rent, mortgage or other bills only to discover your bank account has been drained. This happens to thousands of people a year. Your account can also be frozen until the debt is paid.

While there are exceptions (for instance, a private creditor cannot take social security income), it will be up to you to prove the funds in your account should be exempt from seizure.

The Fractional Banking System

Contrary to how some people think about banks, they are not institutions that safely store your money. That's just not how they operate. Through the fractional reserve banking system, banks

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[19] https://www.supermoney.com/can-irs-garnish-social-security/

[20] https://www.lawyerlocator.com/tax/what-happens-if-someone-dies-owing-money-to-the-irs

keep only a tiny fraction of deposits and can loan out many dollars for each dollar that comes in.

In a famous scene from the holiday classic, "It's a Wonderful Life," George Bailey (Jimmy Stewart) calms nervous depositors commencing a bank run[21] on the local savings and loan. He explains their deposits have been loaned out to other customers. "The money's not here. Your money's in Joe's house...right next to yours. And in the Kennedy house, and Mrs. Macklin's house, and a hundred others."

So how many dollars must a bank actually keep? Can they only loan out only what they bring in, as one might gather from George Bailey's speech? For many years, banks were required to hold at least 10% of all transactional deposits in cash on hand. However, the COVID-19 pandemic was used as justification to reduce the reserve requirement ratios to zero percent[22] effective March 26, 2020.

You read that right: ZERO percent. Shockingly, there are still no reserve requirements for banks.

The truth is, our fractional banking system relies on debt-created dollars and the ability of banks to maintain the confidence of the public—deserved or not. This unfortunately leads us to the topic of liquidity and potential bank runs.

Bank Runs and Liquidity Concerns

Are we in any real danger of bank runs? If a bank is even PERCEIVED to be in danger of "running out of money," bank runs can commence. And just like a Ponzi scheme or game of musical chairs, when the music stops, there may not be enough dollars for everyone.

The facts suggest there have been concerns about bank runs in recent months and years. As AmericanBanker.com[23] reported in May 2020, "Congress gave the Federal Deposit Insurance Corp. approval in March to intervene if the coronavirus pandemic triggered bank runs or other liquidity strains." Such liquidity concerns were relieved as the 2020 lockdowns led to decreased spending and the stimulus checks temporarily boosted savings to a multi-decade high.

[21] https://www.youtube.com/watch?v=7zhj48kIy7M
[22] https://www.federalreserve.gov/monetarypolicy/reservereq.htm
[23] https://www.americanbanker.com/news/fdic-tool-to-prevent-bank-runs-goes-unused-vs-coronavirus

However, 2022 is a very different situation. Recently, the Wall Street Journal reported that 2022 deposits are anticipated to show a 6 percent decrease—the first decrease "since at least World War II."[24]

It was rumored that Canada's fractional banking system may have been in danger of bank runs earlier this year. As the Foundation for Economic Education[25] reported, five of Canada's largest banks went offline immediately after the Trudeau administration announced it would freeze the assets of those supporting the Freedom Convoy.

As Trudeau and finance minister Chrystia Freeland invoked the powers of the Emergencies Act, online and mobile banking services were suddenly unavailable, including e-transfer for customers. Banks reported technical difficulties in processing transactions. Phone systems also experienced challenges, reported the Royal Bank of Canada. Speculations of bank runs began as the trust of Canadian leaders and institutions plummeted. "Do you think," one person asked in a tweet, "people will keep their money in institutions that now can easily freeze it from them?"

Ten days later, the Emergencies Act was revoked as suddenly as it had been activated. We may never know if the banking outages were a coordinated effort to prevent a bank run—perhaps a response to citizens pulling their savings—or simply coincidental. But the point had been made: the savings of ordinary citizens could be frozen if they supported the wrong political cause.

FDIC Insurance (pennies on the dollar)

Fifteen years ago, threats of a bank run in the subprime collapse/ Lehman Brothers melt-down were soothed when the FDIC (Federal Deposit Insurance Corporation[26]) raised insurance on deposits from $100k all the way to $250k. Suze Orman was hired as a spokesperson for public service announcements. The public breathed a little easier and a crisis of confidence was averted.

Unfortunately, Suze Orman isn't going to return your calls if there is a systemic issue, and ironically, she confessed to worries of just such a thing. In a candid US News Money interview (now scrubbed from the internet) she discussed taping an Oprah show during the height of the financial crisis. In the interview, she revealed, "I knew it was possible that by the time we came off that show that the entire United States economy could have collapsed. Our credit had frozen—I wasn't sure we were going to be able to get money out of our ATMs."

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[24] https://www.wsj.com/articles/bank-deposits-could-drop-for-first-time-since-world-war-ii-11649599205
[25] https://fee.org/articles/did-justin-trudeau-s-financial-crackdown-really-spark-a-bank-run-in-canada/
[26] https://www.investopedia.com/terms/f/fdic.asp

Celebrity endorsements aside, are there real dollars backing up your deposits? What happens if—or when—depositors get panicked again and actually put the system to the test? In 2020, we saw the panic that ensued when supplies of toilet paper ran short. What happens when dollars are in short supply?

According to the FDIC, the Deposit Insurance Fund[27]—the FDIC fund that insures against bank failures—only has a reserve ratio (the fund balance as a percent of estimated insured deposits) of 1.35 percent. That means that for every $100 insured by the FDIC, you can rest assured there is $1.35 in reserve in case of bank runs or failures.

But don't worry. According to an FDIC explainer video,[28] "The FDIC is…funded by the banking industry and would only seek public funds as a last resort." Put another way, even the FDIC admits that the public can be forced to pay for bank failures "as a last resort."

Even through the Great Financial Crisis, the promise of FDIC insurance at the increased limits proved to be sufficient to stop a bank run. But what happens if depositors get spooked again? What happens when or if the public decides to "test" FDIC insurance?

Bank Bail-Ins (Deposits are Liabilities)

If there is ever a large-scale financial crisis that creates a run on the banks, banks could come up short and depositors could pay the price. A potential mechanism for this has been referred to as the "bail in." Bank bail-ins[29] are similar to bail-outs, except the source of the bail-out funds comes from unsecured creditors, including depositors and bondholders. This entry from Wikipedia gives context:

"In most legal systems… the funds deposited are no longer the property of the customer. The funds become the property of the bank, and the customer in turn receives an asset called a deposit account (a checking or savings account). That deposit account is actually a liability on the balance sheet of the bank."

In 2013, the little Mediterranean country of Cypress went broke and its government asked for a bailout from the EU and the IMF. Eventually, a bailout was agreed upon, with one harsh condition: part of the bailout package was paid by bank depositors—people who had significant amounts of money in savings accounts.

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[27] https://www.fdic.gov/resources/deposit-insurance/deposit-insurance-fund/dif-fund.html
[28] ttps://youtu.be/dBOFiDpmESI
[29] https://www.investopedia.com/terms/b/bailin.asp

While many consider bank bail-ins in the U.S. unlikely, the Dodd-Frank bill of 2010 actually cracked the door open for such bail-ins. A good resource to read is the Investopedia article, "Why Bank Bail-Ins Will Be the New Bail Outs"[30] by syndicated personal finance expert and journalist Richard Best.

Granted, it would take a major crisis for bank bail-ins to receive consideration. However, given the growing size of the derivatives market (leveraged investments that helped create the 2008 global financial crisis), it's not difficult to imagine the possibility. Deposits beyond FDIC insurance levels would be the most vulnerable.

How Can You Protect Yourself Against Bank Insecurities?

Bank accounts come in very handy for paying bills and are seen as a necessity in the modern world. But are they the best place to store your long-term cash? Should you trust a bank with all your cash? Perhaps not. If you hold significant sums of money in your account, we make the following recommendations.

First, review your bank accounts regularly.

Do not ignore statements, assuming everything is "fine." Review all statements at least once a month to ensure that all charges are expected and legitimate.

Second, protect your passwords and private information.

Phishing scams and other fraud schemes often rely on a bank customer's naivety. As these schemes grow more sophisticated, they are fooling more people. Even caller IDs can be hacked, showing your bank's name on your phone when it is not your bank at all.

Never give out your social security, account number or password to strangers, even if they give you a really good reason. If you receive a call from your "bank" about a problem with your account, never give out private information. Verify the problem independently, then contact the bank yourself.

Third, never store more cash in a bank than is covered by FDIC insurance.

Just as you would not drive an under-insured car or hold inadequate home insurance, never put money in a bank that is technically uninsured. We've all heard stories of consumers fighting insurance companies to pay the full value of a loss—and that's with proper insurance.

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[30] https://www.investopedia.com/articles/markets-economy/090716/why-bank-bailins-will-be-new-bailouts.asp

We can debate if FDIC insurance would come through in a serious crisis, but storing more than the covered amount is definitely a recipe for trouble.

Fourth, do not put all of your eggs in one basket.

You never want to wake up and discover you have no access to funds. Even if it is nowhere near the FDIC insurance limit, don't put all your funds in one bank or credit union.

Some people believe that using small banks and credit unions is the solution. However, this does not seem to be the case. Smaller institutions tend to lack the robust high-tech protections that larger banks employ.

Consider using multiple institutions and only storing your short-term cash and savings. You can grow and store your nest egg somewhere else with far greater protections and privacy.

Fifth, employ banking alternatives.

This is the most essential point, and we urge you not to dismiss it as "too hard." Banks are very convenient, and they are a great way to pay bills. However, they are the least safe place to store any significant quantity of cash.

We recommend a long-term savings solution with many advantages over a bank as an alternative for your long-term savings. For instance, the banking alternative we recommend is a financial vehicle that provides:

- **Higher returns.** The gains over time are greater than the returns guaranteed by savings accounts or other bank products. Historically, the returns from this financial vehicle average about 2 percent higher than the returns offered by banks.
- **Guarantees.** Annual gains, protection from losses, and other benefits are contractually guaranteed with some of the world's most stable financial institutions.
- **Dividends.** Although not guaranteed, this type of financial contract has a centuries-long history of paying consistent dividends.
- **Living benefits.** For no additional cost, this financial vehicle provides benefits such as access to additional cash in the event of disability, chronic or terminal illness.
- **Death benefit.** Leave your spouse, dependents, or charity a legacy gift.
- **Liquidity.** Unlike banks, these financial companies do not use a fractional banking system. State regulators ensure that adequate reserves are held for even worst-case scenarios.

- **Greater privacy.** This type of asset is not even reported to the credit bureaus.
- **Creditor protection.** Although it varies from state to state, this type of asset can provide protection from creditors.
- **Tax-deferred accumulation.** Gains are tax-deferred, often tax-free if properly structured.
- **Guaranteed ability to leverage your cash.** Unlike a retirement account, you can use this type of asset as collateral. This allows savvy savers to take advantage of opportunities to expand their asset base.
- **Mutual ownership.** This is a skin-in-the-game asset in which the participants own the company.

Maybe you feel excited right now by the possibilities. Or perhaps you feel overwhelmed or unsure. That is normal when you take in new information. Just don't let emotions stop you from exploring potential solutions.

What's your next step? You can walk away—knowing the risks of putting all your eggs in the banking basket—and hope a banking crisis or cyber-security scam never affects you. Or you can take action. You can diversify your savings with a time-tested alternative that has helped families save for generations.

To find out more about how to build savings and create a secure future with this type of financial vehicle, we encourage you to reach out to us and book a no-hype complimentary consultation at info@SureWealthSolutions.com

We'll show you how this vehicle could improve your personal financial situation. If you like, we can provide you with a financial forecast that will show you exactly where your current habits and plan are taking you. Then we'll demonstrate how a new strategy might give you more security and more cash, with far greater protection for the "what ifs" of life.

There's no high-pressure pitch, just facts. Get your questions answered and see how this strategy has worked for people just like you.

You can schedule a complimentary consultation (or just a 5-minute chat!) at info@SureWealthSolutions.com.

We look forward to showing you a safer way to save!

Meet the Authors

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"I've seen a lot in the last 30 years in this industry and have applied the best of the best to the SureWealth philosophy – leaving old, non-effective strategies behind. I'm committed to helping you create a stream of guaranteed income for life. Trust, Loyalty, and Teamwork are the values I bring to my work with you so that your wealth last through retirement and funds a life you enjoy."

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"I am inspired by the opportunity to help you grow your wealth without the unnecessary risk and volatility of stocks, real estate, and other traditional investments. With SureWealth, you take control of your finances to reach your financial goals and dreams. What we do has been called a 'secret weapon' by our clients. Let us be that for you."

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