

# What Market Tumult Means For Average Stakeholders

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The stunning events rattling the financial markets are raising a lot of questions about the average person's finances. We talked to several experts to find some answers.

*Q What if I have a life insurance policy or annuity with AIG, which is struggling financially?*

A Life insurance policies are covered by each state's guaranty association. The amount of coverage you get if the company fails varies from state to state, but typically, you will be able to recoup up to \$300,000 in life insurance death benefits, \$100,000 in cash surrender or withdrawal value for life insurance, and \$100,000 in withdrawal and cash values for annuities. Check with your state's guaranty association or the National Organization of Life and Health Insurance Guaranty Associations, which oversees the state associations. Its web site, <http://www.nolhga.com>, has a list of state rules.

One caveat: State guaranty associations do not extend coverage to any policy or annuity in which the policyholder bears investment risk. This would include an annuity that is invested in stocks.

*What if I own [Lehman Brothers](#) stock or have a mutual fund that has shares of Lehman? How would Lehman's collapse affect my investments?*

You will probably have to write off the stock, but don't make any drastic market moves, said Kelly Campbell, president of Campbell Wealth Management in Fairfax. "Right now, I would sit back and wait until the dust settles," he said.

If you have shares of Lehman in a mutual fund, all you can do is hope that it is a very small piece of the portfolio. A mutual fund should be diversified enough to withstand one bad investment.

*What if I have a brokerage account with Lehman or its subsidiaries?*

The [Securities Investor Protection Corp.](#) covers investors in the event of a brokerage failure, guaranteeing up to \$500,000 of assets. However, yesterday SIPC President Stephen Harbeck said no liquidation proceeding against Lehman was in progress and all customer cash, stocks and other securities were accounted for.



"Should the situation at Lehman Brothers Inc. change in some material way not now anticipated by SIPC and regulators, we will, of course, intervene as necessary to protect the cash and securities of customers," he said. "However, I want to underscore that such an action is considered unlikely at this time."

*What if I have a brokerage account with [Merrill Lynch](#)? How will it be protected from any of the massive changes that might come to that company?*

[Bank of America](#)'s takeover of Merrill Lynch should not affect brokerage accounts. In fact, in a press conference yesterday, Bank of America chief executive [Kenneth D. Lewis](#) said his bank intends to keep Merrill's name and organization intact. So, it's business as usual.

*Certificate-of-deposit rates have been going up. Should I just park my money in one?*

Banks have been raising CD rates because they need your money to raise capital. But it might not be such a sweet deal for you because of inflation. The highest-yielding CDs are in the 4 to 5 percent range, and inflation is above 5 percent, said [Greg McBride](#), senior financial analyst at [Bankrate.com](#). "A lot of investors are looking to CDs as a way to preserve their principal, but it's very important to pursue the highest yield," he said.

*What about my local or regional bank? Will there be any spillover effect from this financial crisis?*

It depends on how much exposure your bank has to subprime mortgages. Ask your bank manager. Regardless of the answer, if you've got \$100,000 or less in your name in that bank, you have nothing to worry about.

The [Federal Deposit Insurance Corp.](#), an independent agency of the federal government, insures up to \$100,000 per depositor per insured bank or savings association. The deposits it protects include checking, savings and so-called NOW accounts, money-market deposit accounts, and certificates of deposit. It does not insure investments in stocks, bonds, mutual funds, life insurance policies, annuities or municipal securities.

Certain types of retirement accounts get even more coverage. Individual retirement accounts, for instance, are insured up to \$250,000 per depositor, per insured bank.

*What's going to happen to the stock market in the next few days? What should I do with my investments?*

It's going to be a rocky week. "We are likely to see a little bit more turmoil. We might have a bounce here or there, but for some period of time I think this is going to continue to roil the financial markets," said Pran Tiku, president of Peak Financial Management in Waltham, Mass.

Some economists and investment strategists say the market will begin to turn around at the end of the year or early next year. But unemployment will have to drop and housing prices will have to level off before a true recovery takes place, they said. In the meantime, investors should stick

with their long-term investment plans. Rebalance your portfolio if you need to, but don't start dumping or picking up stocks every time there's a news flash, strategists said. "My advice is to not do anything rash or tax-foolish, but also do not be afraid to take losses and wait for the chaos to clear," said Charles W. McMillion, president and chief economist of [MBG Information Services](#).