

Consumer Dilemma: Safe Deposit Box or Home Safe?



With the plunge of the Dow Jones and escalating financial worries, demand for home safes has spiked recently. Many investors and accountholders are

liquidating their investments and hoarding their cash reserves, intent to ride out the worst recession in decades.

Due to concerns and misunderstandings about the financial industry, some consumers are relying on home safes as an alternative to checking and savings accounts, certificates of deposit and safe deposit boxes. As a result, home safe sales have escalated as much as 70 percent during the past year among some manufactures and dealers.

Though it may be tempting to purchase a home safe – available for as little as \$99 dollars – bear in mind that these inexpensive home safes usually weigh less than 100 pounds. Two burglars working in tandem could easily lift and remove this type of safe.

Misconceptions

By contrast, safe deposit boxes in financial institutions offer outstanding security. However there are several misconceptions about safe deposit boxes that should be addressed:

First, there are no state or federal laws that restrict the storing of cash, coins or precious metals in a safe deposit box. Such laws would prove futile, since they could never be enforced. Safe deposit box contents are always confidential, known only to the renter. No financial institution can or should have this knowledge.

Second, if an institution fails, safe deposit boxes remain secure. In the majority of cases, another financial institution usually acquires the troubled institution, and business continues as usual. In the event that a failed institution is taken over by regulators, each box renter will be notified that safe deposit box contents need to be retrieved. In the worst-case scenario – permanent closure of the financial institution – all box renters are provided with a list of contact numbers, so they may set up appointments for box content removal. Under no circumstances do the regulators or the financial institutions want to seize or impound these safe deposit box contents.

Third, box renters should be aware that safe deposit box contents are not insured by FDIC, NCUA,* nor by the financial institution in whose vault the boxes are secured. To protect valuables against loss, renters can attach a rider – known as a Personal Articles Floater – to their homeowner's policy. Premiums are reasonable for this peace-of-mind protection.

Safe Deposit Basics

Safe deposit boxes typically range in sizes from 2" x 5" to 10" x 10," and are 22" in length. Annual rental fees will run

from \$15 to \$150, depending on box size. Rental fees generally include unlimited access to box contents, plus an elaborate security system that includes a 12-inch-thick vault door, reinforced concrete and steel walls, and 24-hour observation by a bonded, professional security monitoring company.

Despite the advantages of safe deposit boxes, home safes also offer valuable protection. Items that might be needed at a moment's notice – such as passports, living wills, burial instructions or other medical records – should be kept close at hand for quick access. Also documents that are used frequently, and would be difficult to replace or reproduce, are candidates for home safes.

With both safe deposit boxes and home safes, be mindful that neither can guarantee absolute protection against terrorism, burglary or extreme disaster. Hurricanes Katrina and Ike, for example, caused the flooding of more than 250 vaults and many home safes. Consumers can minimize the risk of water damage by sealing contents in airtight plastic bags or watertight containers prior to storage.

Overall, the security, economy and convenience of safe deposit boxes gives them a great bang for the buck. Both options – safe deposit boxes and home safes – have earned their unique places in personal property storage and security.

*Federal Deposit Insurance Corp. and National Credit Union Administration

Author *David P. McGuinn* is President of *Safe Deposit Specialists* in Houston, Texas. Since 1969 he has trained more than 250,000 safe deposit personnel in all 50 states and is often referred to as the safe deposit "GURU." His safe deposit resources are regarded nationwide as the accepted standard for the financial industry. McGuinn relates the following personal experience:

"As a safe deposit box consultant for more than 40 years, you would think that I would be the last person to consider buying one of these popular home safes. Unfortunately, several years ago I tired of paying \$50 dollars a year for my safe deposit box, so I closed it and purchased a 300-pound home safe for \$299 dollars. At \$1 a pound, it sounded reasonable to me!

"After my wife and I placed thousands of dollars in jewelry, cash, heirlooms and other valuables in the safe, our home security system was compromised, and our house was burglarized. The burglars used crowbars, sledgehammers and other tools from my garage to open the safe. After 45 years of marriage, all of our cherished and valuable possessions disappeared in one afternoon!

"Needless to say, I am, once again, a safe deposit box renter."

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