

MISSISSIPPI DIVISION OF MEDICAID

Eligibility Policy and Procedures Manual

303.01.04 TIME DEPOSITS

A time deposit is a contract between an individual and a financial institution whereby the individual agrees to leave funds on deposit for a specified period of time (six months, two years, five years, etc.) and the financial institution agrees to pay interest at a specified rate for that period. Certificates of Deposit and savings certificates are common forms of time deposits.

NOTE: The assumptions regarding ownership of bank accounts, discussed in the previous section, also apply to time deposits.

Early Withdrawal

Withdrawal of a time deposit before the specified period expires incurs a penalty which is usually imposed against the principal. The penalty does not prevent the time deposit from being a resource, but it does reduce its value as a resource.

Treatment
<p>The resource value of a time deposit at any given time is the amount the owner would receive upon withdrawing it at that time, excluding interest paid that month. Generally this is:</p> <ul style="list-style-type: none">• Amount originally deposited• Plus accrued interest for all but the current month and• Minus any penalty for early withdrawal

Early Withdrawal Prohibited

On rare occasions, the terms of a time deposit may prohibit early withdrawal altogether. When early withdrawal is prohibited, handle principal and interest as follows:

Treatment
<p>Principal - If the owner of a time deposit cannot under any circumstances withdraw the principal before it matures, the principal is not a resource. It becomes a resource (not income) on the date it matures and may affect countable resources for the following month.</p> <p>Interest – If the owner has no access to the interest before the deposit matures, accrued interest is also not a resource. Do not count the interest as income in the month the deposit matures, but as a resource the month after maturity.</p>