



## Joint Accounts Are Almost Always a Bad Thing

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I am not a big fan of joint accounts. Parents put their children's names on their accounts because they want their children to be able to pay their bills if they can't and so the account goes to the child upon their death.

So, the parent goes to the bank and the bank officer decides to practice law and advises the parent to add son or daughter to the account as a joint owner.

Why is this such a bad thing?

If there are other children, the result in many if not most states is that upon the parent's death the money in the account automatically goes to the child whose name is on the account, thereby disinheriting the other children.

In most states as well, the money in that joint account is now owned equally by the parent and the child. This means the child can draw out the money at any time without the parent's consent.

Most parents can't believe that their child would ever do such a thing. Believe me, it happens, and every parent it happened to said the same thing: "My child would never steal from me!"

Likewise, because in most states the money in that account belongs to both parent and child, the money is liable for the child's debts.

This means that:

- If the child injures a busful of schoolchildren in an auto accident,
- If the child has an unexpected catastrophic illness and runs up high medical bills, or
- If the child gets a divorce,

the money or property in the joint account could be taken by the injured party,

creditor, or the divorce court.

You can't claim that the money is yours alone, because it's not. By adding your child's name to your account, you made that money freely available to your child. And if it's available to your child, it's also available to your child's creditors and divorcing spouse.

What about the nursing home? Money in joint accounts is not sheltered. The government counts all of the money in the joint account as available for your nursing home care. Not half. All of it.

There may also be adverse tax consequences. This short article won't discuss those.

**Lesson:** Don't add your child's name to your bank accounts or stocks or bonds or other property! Even if the bank officer suggests that you do so. The bank officer is not a lawyer. He or she may be trying to be helpful, but in our experience they don't understand all of the bad things about joint accounts.

If you are concerned about having a child pay your bills in case you become disabled, go to the bank and give your child signature authority on your checking account. Your child will be authorized to pay your bills. Your child cannot use your money in ways that aren't for your benefit. And the money is not available to your child's creditors.

(Side note: Many bank officers don't like the signature authority law. When you give your child signature authority, your child's name usually is not listed on the check. It is more convenient for the bank to have your child's name as a joint owner on the account because the bank doesn't ever have to refer to the signature card. What's convenient for the bank is not necessarily what's best for you.)

If you are concerned about the bank account or stocks being tied up in probate, add a "Payable on Death" provision to your bank or stock account. The "POD" is like a life insurance beneficiary designation. The money or property in the account is paid directly to your beneficiary and bypasses probate.

Changing bank accounts and retitling your assets affect your estate plan. Before you take this important step, you should always consult with your attorney. Not your banker.