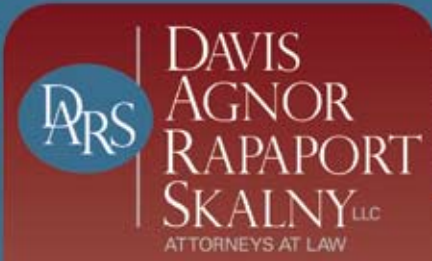


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Joint Bank Accounts – Just Asking For Trouble

Every day, in probably every bank branch, a customer service representative of that bank is advising a depositor that a joint bank account should be used “for convenience.” And every time that advice is given, it could be terrible advice.

Very often, one member of the family will be advised to add another member of the family as a “joint tenant with rights of survivorship” to a bank account for convenience purposes. The goal is to create a means by which one family member can help the other pay bills if there is a disability.

For example, Grandma, anticipating that she may not be able to write checks to pay her bills each month, will put trusted Granddaughter on as a joint tenant on her bank accounts. The theory is that Granddaughter will be able pay those bills when the time comes that Grandma needs help. If the story ended there, we might have a happy ending. But it this is only part of the story.

First, when Grandma added Granddaughter, she effectively made a gift of her account to her granddaughter. As such, Granddaughter may use the money in that account in any way she wishes - it is now her money too. There is no legal obligation for Granddaughter to use that money for Grandma, even though there are strong ethical and moral obligations for her to do so.

Second, even though Grandma has in her Will that her estate will be divided evenly among her grandchildren, by putting Granddaughter on the bank account, the Will no longer controls the disposition of that account. Wills only control property that is solely owned by the decedent; thus, upon Grandma’s death, Granddaughter automatically becomes the sole owner of that account.

Third, in the rare case where Granddaughter wants to do the right thing and share her newfound wealth with her siblings, her gifts to her siblings will be limited by the annual gift exclusion of \$11,000 each year under the current regulations of the IRS. If Granddaughter gave more, any such gift would be subject to the federal gift tax.

What should Grandma do instead? Maryland law allows banks to offer “convenience accounts” to depositors who need help. Ownership of any such account remains in the original owner, while the person helping is authorized to write checks and make deposits. In the alternative, Grandma could execute a power of attorney that authorizes Granddaughter to transact business in her account. Finally, Grandma could use a revocable living trust to provide a means to have her assets managed on her behalf. Any one of these three options is much better than simply giving a bank account to someone with the hope that the needed help will be given.

Bankers like joint accounts because they are easy to set up. However, bankers are not your counselors, no matter how friendly they are, and few have the training to understand the impact of the advice they are giving. Be wary of taking the easy path. With a little thought and preparation, your needs can be met without giving away all of your savings.