

## WHY JOINT ACCOUNTS ARE NOT RECOMMENDED FOR ESTATE PLANNING

Many people, upon the death of their spouse, decide to add one of their children's names to their bank accounts. This is often done so that the child can assist them in day-to-day bill paying and other financial matters. Others do this to avoid probate of the accounts at their death.

The use of joint accounts for the purposes mentioned above is NOT advisable for the following reasons:

- The creation of joint accounts is presumed to be a gift to the other joint tenant (*i.e.*, the other joint owner).
- The creation of the joint account may require the filing of a gift tax return and payment of gift tax (interest and penalties may accrue for years, even if an individual innocently fails to file a return).
- Upon death, the account or property will pass directly to the joint owner and not by Will. This can unintentionally disinherit other children or beneficiaries.
- The joint owner has unlimited access to the account or property and can use it all for their own purposes.
- The account is subject to lawsuits and creditor claims against either account owner, including an account owner's divorce proceedings. You might trust someone enough to make them a joint owner but are you certain they will not get divorced, nor get sued?

If you are concerned about avoiding probate or having someone manage your day-to-day finances, other legal mechanisms (such as revocable living trusts or powers of attorney) are available to address these concerns.

Provided courtesy of:



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