JOINT ACCOUNTS

WHAT ARE JOINT ACCOUNTS?

Joint accounts are accounts set up in two or more persons' names.

IS THERE MORE THAN ONE KIND OF JOINT ACCOUNT?

Yes. There are joint accounts and joint accounts with right of survivorship.

WHAT IS THE DIFFERENCE BETWEEN THE TWO KINDS OF JOINT ACCOUNTS?

In a joint account with right of survivorship, when one of the joint tenant dies, the other joint tenants become the owners of the deceased's share. In an ordinary joint account without right of survivorship, the share of the deceased joint tenant passes under the will.

ARE THERE ADVANTAGES TO USING JOINT ACCOUNTS WITH RIGHT OF SURVIVORSHIP?

Yes. There are two principle advantages. First, the account automatically becomes the other joint tenant's so the account is never tied up or frozen. Second, the probate process is avoided entirely. The advantage of avoiding the probate process is that the chances that the account will be frozen, tied up, or complicate the probate or increase its cost are eliminated.

ARE THERE DISADVANTAGES TO JOINT ACCOUNTS WITH RIGHT OF SURVIVORSHIP?

Yes. Since the accounts will automatically pass to the other joint tenants, they will not pass under the will. Therefore, if the will provides tax planning or provides an order of disposition different from the way the joint account is set up, the property in the joint account will not be subject to the tax planning or to the order of disposition in the will.

CAN YOU GIVE AN EXAMPLE OF WHEN THE DISPOSITION WOULD BE DIFFERENT?

Yes. Mary, a widow, has two daughters, Ann and Sue. Mary's will says to divide the estate equally between the two daughters. During her life in order to provide for disability, Mary placed $50,000 in a joint account with right of survivorship in her name and Ann's. When Mary dies, Ann will get all of the $50,000 and one-half of all of the other assets. Probably Mary intended to $50,000 to be split equally with Sue.

CAN YOU GIVE AN EXAMPLE OF A JOINT ACCOUNT AVOIDING THE TAX PLANNING IN THE WILL?

Yes. Don and Joan are husband and wife. They have a $500,000 estate which belongs one-half to each spouse, and it is all in joint accounts with right of survivorship. Don and Joan have done tax planning which includes tax sheltered trusts in each of their wills. When the first spouse dies, nothing will go to the tax sheltered trust because the joint accounts with right of survivorship automatically go to the survivor. So to make the tax planning work, the joint accounts would have to be undone prior to the first death.

HOW CAN ADDITIONAL INFORMATION ABOUT JOINT ACCOUNTS BE OBTAINED?

If you would like additional information, please do not hesitate to contact us.