

Joint Ownership of Bank Accounts

Seniors often add relatives to their bank accounts to pay the bills in case they end up in the hospital. Some seniors also do this because they want to avoid probate.

Adding another person to your bank account could be risky. When you add someone else's name to your account, you make them a joint owner of the account. There are risks involved in making someone a joint owner. You should be aware of the risks involved.

Am I still the only one who can control my account if I add a joint owner?

No. When another person becomes joint owner of the account, that person has the legal right to spend the entire account no matter what.

But what if all the money in the account is mine and I just add a joint owner in case of emergency?

It does not matter if you were the only one who put money into the account. The joint owner can spend it all however he or she wants. Most of us trust that the person we add to our bank account would never take money from our account to use for his or her own benefit. But it may not be in that person's control. Debt collectors may take money from your account to satisfy the debt of a joint owner.

For example, if a joint owner is in a car accident, the hospital could take the money from your joint bank account if that person does not pay the hospital bill. You might be able to get your money back if it came from Social Security or other protected income. But you would still be involved in a lawsuit and your funds might be frozen and inaccessible for days or weeks.

What happens to the joint account if I die?

If you have a joint owner on your bank account, when you die, that person gets all the money in the account, even if your will says differently. "Joint tenancy" or joint ownership of your home has similar risks. If you want your home or bank account to be split between your heirs, adding a joint owner is not the best idea. You could end up leaving out some of your heirs.

Can I remove a joint owner?

Once you have added another person as a joint owner, it is not easily changed. If you later decide to remove that person, the joint owner must agree. If the joint owner does not agree, you may have to remove yourself from the account and open up a new one. If you do this and receive direct deposit payments, make sure you give your new account information to the agencies that pay you.

Are there other ways I can avoid probate?

Yes. There are safer options to avoid probate. One way is to make the account Payable on Death (POD). With a POD, you choose a person to be a beneficiary. You can name more than one beneficiary. When you die, the beneficiaries will automatically have access to the account.

What if I want someone to be able to handle my bills in the event of an emergency?

If you are worried something happening to you that would mean you could not handle your bills, you may want a financial Power of Attorney. With a Power of Attorney, you name an agent and give that person the power to act for you. You can give as much or as little power as you choose. For example, you could limit the power to only allow your agent to write checks from your bank account to pay bills. You could also give your agent full power to handle all of your financial affairs. You choose when your Power of Attorney takes effect. It can take effect when you sign it or after some event takes place. For example, you can make it take effect only if you become incompetent. This is done with a Durable Power of Attorney. You can change a Power of Attorney at any time as long as you are competent. A Power of Attorney expires when you die. This means your agent would not be able to take the money from your account after your death, protecting your other heirs.

Would you recommend adding a joint owner to my account?

No. Putting someone's name on your account is very risky. There are safer ways to avoid probate and handle your affairs if you cannot. For these reasons, we do not recommend making someone a joint owner of your account.

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