

291 words

Abstract: Payable-on-death accounts can provide a quick, simple and inexpensive way to transfer assets outside of probate. They can be used for bank accounts, certificates of deposit and even brokerage accounts.

Payable-on-death accounts: Beneficial tools if used correctly

Payable-on-death (POD) accounts can provide a quick, simple and inexpensive way to transfer assets outside of probate. They can be used for bank or credit union accounts, certificates of deposit and even brokerage accounts.

Setting up such an account is as easy as providing the financial institution with a signed POD beneficiary designation form. Upon your death, your beneficiaries just need to present identification to the bank, provide the bank with a certified copy of a death certificate, and the money or securities will be theirs.

Potential pitfalls

Be aware, however, that POD accounts can backfire unless they've been coordinated carefully with your estate plan. You want to prevent conflict with your will and other estate planning documents. For example, suppose Jack divides his assets equally among his three children in his will. He also sets up a POD account leaving \$50,000 to his oldest child. That creates a conflict that may have to be resolved in court, delaying distribution of the estate and adding substantial legal fees.

Another potential problem with POD accounts is that, if you use them for most of your assets, the remaining assets may be insufficient to pay debts, taxes or other expenses. Your executor would then have to initiate a proceeding to bring assets back into the estate.

One way to use a POD account is to hold a modest amount of funds to pay funeral expenses, bills and other pressing cash needs while your estate is being administered. Utilizing these accounts for more substantial assets may lead to intrafamily disputes or costly litigation.

Turn to us

If your estate plan includes POD accounts, be sure to review the rest of your plan carefully to avoid potential conflicts. We can help you coordinate the use of POD accounts with your estate plan.