



What you need to know about **Joint Bank Accounts**

From the American Bankers Association® and AARP

Joint bank accounts can be a great convenience for people who share income and expenses — often the case with married couples. However, joint accounts also can have disadvantages. It is important for consumers to understand what a joint account is and what it is not, along with all its corresponding liabilities. When it comes to joint bank accounts, you need to ask yourself: is a joint bank account right for me?

A joint bank account may not actually be what you need, especially where there isn't a legal joining. This can often be the case for people over the age of 50 who may be looking to a joint account for purposes other than sharing income and expenses. For example, sometimes parents add the name of an adult child to their account—in effect creating a joint account—because the parents want the child to inherit the money in the bank account upon their death. What's more, they may also want help managing their finances and/or keeping a second pair of eyes on the account to watch out for fraud.

However, there are distinct pitfalls associated with using a joint account for these purposes. If someone is listed as a joint-account holder, he or she is responsible for all the money in the account as much as you are. This means one person (whether the primary account owner or joint owner) can withdraw all the money from the account, regardless of whose money it actually is.

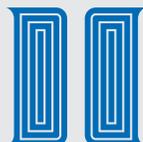
Furthermore, there can also be unintended consequences with a joint account. Here are two examples:

1. The co-signee (aka: joint account owner) becomes financially responsible for taxes alongside the primary account holder. This means that should you, the account holder, owe the government back taxes, your co-signee would be held equally responsible for paying those taxes.

2. If one of the joint owners of the account incurs catastrophic medical bills, or even something as simple as a car accident that results in a lawsuit, all the funds in the account could be used as a liable asset. In other words, if my mom put me on her joint account – that nest-egg account she was keeping for her retirement—and I am the party at fault in a car accident and responsible for the associated expenses, the lawsuit could drain my mother's funds to pay the costs of damages. As far as a joint account is concerned, the funds in the account are as much mine as hers. My name is on the account, even though, in my mother's eyes, all the money belongs to her.

If you are considering a joint bank account, especially if it's with someone other than a spouse with whom you share daily living expenses, talk to your banker about the alternatives.

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