

Gerry W. Beyer
John K. Hanft

Wills, Trusts, and Estates for
Legal Assistants

Sixth Edition



Wolters Kluwer

Chapter 16

MULTIPLE-PARTY ACCOUNTS

Chapter Objectives

- Define and distinguish the common types of multi-party accounts
- Differentiate the ownership rights in a joint account during life and after the death of a party
- Differentiate the withdrawal rights in a joint account during life and after the death of a party
- Explain how a pay on death account operates
- Describe the attributes of a trust account



Types of Multiple-Party Accounts

- **Joint account:** Account payable on request of one of two or more account holders.
- **Agency or convenience account:** Joint account without survivorship rights.
- **Pay-on-death account:** Account payable to a designated person on the death of all original depositors.
- **Trust account:** Account held in a revocable trust for a beneficiary.

Multiple-Party Account Issues

- Ability to Alter Contract by Will
- Creditors
- Divorce
- Survival
- Effect of Depositor's Incapacity

Ownership Rights: Joint Accounts

- During the lifetime of all parties, a joint account belongs to the parties in proportion to the net contributions by each party to the amount on deposit unless there is clear and convincing evidence of a contrary intent.
- A joint account does not operate to transfer current ownership of deposited funds to the other joint parties.
- The contributing depositor to a joint account does not make a gift to another party until that party withdraws more than that party's net contributions and the contributing depositor has the intent to make a gift of this excess.



Withdrawal Rights: Joint Account

- Although ownership of the funds in a joint account is in proportion to net contributions, each party has the virtually unlimited right to withdraw any or all of the money in the account.
- Consequently, it is extremely important that parties to a joint account trust each other.

Rights after Death of a Depositor

- Two results are possible when one of the parties to a joint account dies: the deceased party's net contributions pass either (1) through the deceased party's estate to the party's heirs or will beneficiaries, or (2) to the surviving joint parties.
- To resolve this issue, it must be determined whether the joint account includes the survivorship feature.
- Any party to a joint account has the right to withdraw any and all of the funds on deposit, before or after the death of another party, even if the withdrawing party does not have ownership rights to the withdrawn funds.
- If a surviving party to a nonsurvivorship joint account withdraws an amount in excess of the party's net contributions, the party will be liable to the estate of the deceased party for conversion.

Payable-on-Death Account

- A **payable-on-death account** (P.O.D.) becomes payable to designated persons, the P.O.D. payees, only after the death of all original depositors.
- The funds in the account belong to the original depositors during their lifetimes in proportion to each depositor's net contribution.
- The original depositors have the unrestricted right to withdraw any or all funds at any time and for any reason.
- The P.O.D. payees are not entitled to notice of withdrawals and neither their consent nor their approval is required.

Trust Accounts

- A **trust account** is an account in a form such as “Depositor in trust for Beneficiary” or “Depositor, trustee for Beneficiary.”
- Trust accounts, also called *savings account trusts* or *tentative trusts*, operate in much the same way as P.O.D. accounts; that is, upon the death of all trustees, the surviving beneficiaries divide the balance remaining in the account.