

Have you coordinated your payable-on-death accounts with your estate plan?

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Payable-on-death ("POD") accounts provide a quick, simple and inexpensive way to transfer assets outside of probate. They can be used for bank accounts, certificates of deposit or even brokerage accounts. Setting one up is as easy as providing the bank with a signed POD beneficiary designation form. When you die, your beneficiaries just need to present a certified copy of the death certificate and their identification to the bank, and the money or securities are theirs.

Beware of pitfalls

POD accounts can backfire if they're not coordinated carefully with the rest of your estate plan. Too often, people designate an account as POD as an afterthought without considering whether it may conflict with their wills, trusts or other estate planning documents.

Suppose, for example, that Sam dies with a will that divides his property equally among his three children. He also has a \$50,000 bank account that's payable on death to his oldest child. If the other two children want to fight over it, the conflict between the will and POD designation must be resolved in court, which delays the distribution of Sam's estate and can generate substantial attorneys' fees.

Another potential problem with POD accounts is that if you use them for most of your assets, the assets left in your estate 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.

POD best practices

Generally, POD accounts are best used to hold a modest amount of funds that are available immediately to your executor or other representative to pay funeral expenses or other pressing cash needs while your estate is being administered. Using these accounts for more substantial assets could lead to intrafamily disputes or costly litigation.

If you use POD accounts as part of your estate plan, be sure to review the rest of your plan carefully to avoid potential conflicts. Please contact us with any questions.

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