

Account Ownership

Considering Your Options

When it comes to needing assistance with daily transactions, many assume the only solution is adding a joint owner to their accounts. However, giving someone joint ownership does more than allow them to perform transactions on the account. All joint owners have equal access to the funds in the account, and may use any or all of the funds for their own purposes. As a form of will substitute, SECU's joint accounts have survivorship rights; when one owner dies, the remaining funds automatically pass to the surviving joint owner(s) regardless of the provisions set forth in the will. Many members may look to their children to help with their finances, not realizing that because of the survivorship rights associated with joint accounts, adding a joint owner to their accounts may adversely affect their estate plan. If a member has three children, but makes only one of them joint on all SECU accounts, the other two children will have no claim to the funds in those accounts upon her death, regardless of the terms of the will.

Two possible alternatives to joint ownership are assigning a personal agent or executing a power of attorney which assigns an attorney-in-fact. Either of these options will allow a designated person account access without giving ownership rights. Since both personal agency and attorney-in-fact relationships end at death, the funds will pass according to the will or beneficiary provisions.

North Carolina law permits the designation of a personal agent to perform account transactions on specified accounts. Personal agents may withdraw and deposit, but they may not open new accounts or change existing ones. The personal agent's authority is limited to specified accounts; therefore, the personal agent can be authorized on a checking account without giving information concerning money market accounts or share term certificates. Since personal agency provides only limited access to accounts, it provides assistance with everyday transactions without relinquishing ownership or survivorship rights. Unless revoked, a personal agent's powers continue beyond the account owner's incapacitation. The personal agent does not need to be eligible for membership, and the relationship may be revoked as long as the account owner is not incapacitated. To appoint a personal agent on a specified account, the designated personal agent must sign the account agreement with all owners of the account.

Another alternative to consider is executing a power of attorney. This document appoints an attorney-in-fact to sign on behalf of the account owner, or principal; the attorney-in-fact's powers are usually more encompassing than a personal agent's, but how broad or limited the granted powers are is determined by the principal. Financial transactions authorized by the document usually allow the attorney-in-fact to withdraw funds, deposit funds and open and close accounts, unless the document specifically restricts certain powers. When recorded with the Register of Deeds, a durable power of attorney remains effective even in the event of the principal's incapacity. A springing power of attorney is a durable power of attorney that becomes effective only in the event of the principal's incapacity or incompetence, which is often when members need the most assistance. An attorney-in-fact does not need to be eligible for membership with the credit union, and the designation may be revoked as long as the principal is not incapacitated. The attorney-in-fact and all account owners should go to a local branch with the power of attorney document; all parties must sign an account agreement before allowing the attorney-in-fact to access the principal's accounts.

Personal agency and power of attorney relationships are more flexible than joint ownership because the powers given can be tailored to suit specific needs depending on the level of assistance desired. Before deciding to add a joint owner to assist with daily financial transactions, it is important to consider all of the available options.

For more information about trust services or estate planning, please contact your local branch office and ask to speak to a trust representative.