

## **Convenience Gone Awry—Bank Accounts and Estate Administration**

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Banks can offer their customers many options to make their life easier and help with their estate planning. However, as is so often the case, too much of a good thing can backfire. We see this more and more in estates with bank accounts after a death.

1. Automatic bill paying is convenient and makes things easier when it comes to regular bills such as utilities, mortgage payments, care payments and credit cards. Banks often recommend a payable on death (P.O.D.) designation on accounts with the idea that the accounts will avoid probate and prevent the accounts from being “frozen” after death. Unfortunately, these P.O.D. arrangements do not mix well with an account set up to pay bills automatically.
2. After death the bank account is closed and divided between the beneficiaries. Payments to creditors that are expecting to have their bills paid are cut off. Creditors can act as though a check for payment bounced, often including charges and fees to the original bill. Rather than making things easier, the P.O.D. arrangement actually creates a whole set of unforeseen problems.
3. Because automatic bill paying is becoming more and more common, we can expect to see more and more of these types of issues. The bottom line is that P.O.D. designations are not always necessary or a good fit for a plan. Often the benefits of avoiding probate are not as great as they seem and the dangers of a “frozen” account are not as dire as they may seem.
4. While P.O.D. designations are a valuable estate planning tool, they can often be better used in moderation and targeted for specific situations where they will fit into the overall plan and coordinate with the other estate planning documents. If the purpose of your arrangements at the bank is to have an impact on administration of your estate, be sure to check with your attorney or financial advisor before deciding how to title your bank accounts.