



FINANCIAL WISDOM

- WEALTH MANAGER -

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Joint Ownership Alternatives

Joint ownership is used by millions for various reasons. When problems arise, they are usually unintentional and it can be too late to remedy them. For example:

Jane wants to avoid probate with as much of her estate as possible. She also wants her daughter, Sally, to have easy access to her cash at death to take care of last expenses. Jane thinks...she can do this by naming Sally on her bank accounts jointly.

On the surface, this looks like a quick and easy way to accomplish what she wants. It's what lies below the surface that can sink her financial ship.

Let's say Sally runs into financial difficulties and declares bankruptcy. Most bankruptcy trustees would look at all of Sally's assets and say, 'if [her] name is on it, I will go after it' to satisfy Sally's creditors. By being joint account holders, Jane is exposed to Sally's financial woes. This can also cause problems if divorce is in Sally's future.

If Jane is fortunate enough to have a bank account that pays any kind of meaningful interest, will this affect Sally's taxes? Will it affect income tested benefits she receives?

Alex wants to give his son a little extra financial help as his daughters are financially independent. He wants to do this by naming his son as joint owner of his non-registered investment fund account. Alex intends for the funds to transfer directly to his son on death.

A change of ownership could trigger capital gains and add to Alex's tax bill. This would also be true if the ownership change was property, like the cottage at the lake.

Even though his intent is to have the asset pass directly to his son, Alex's Will states that his estate be distributed equally among all three children. If the daughters choose to fight the joint-ownership on death, they stand a pretty good chance of winning. It could be a lengthy and expensive legal fight.

There are alternatives to joint ownership that are far less problematic. They include:

Beneficiary designation - Some financial products let you name a beneficiary who would receive the proceeds on your death.

Make your intentions known - Discuss your situation with your heirs and make it clear what you want to happen.

Power of Attorney - If you find it more difficult to take care of your money matters, you could give someone you trust power of attorney who can do it for you. A 'springing' power of attorney comes into effect when it is certified by two medical doctors that you can no longer manage your financial affairs.

For informational purposes only and not intended as specific advice. Seek professional assistance for your individual situation.

We can provide you with an estate plan that works for you. Give us a call or email.

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