

Planning for your assets at death

Payable-on-Death (POD) Accounts

POD accounts can help you avoid probate.

A POD account is a bank account that allows you to name a “payable-on-death” (POD) beneficiary. (Note: Some banks call these “transfer-on-death” TOD accounts.) When you die, the account passes to the beneficiary you named on the account. Normally, if you own a bank account in only your name and you have not named a POD beneficiary, a process called “probate” is required when you die to remove your name from the bank account and allow your beneficiaries to access the account. Instead, you have the option of naming another person as the POD beneficiary on the account. When the owner of a POD account dies, all the money in the account immediately belongs to the POD beneficiary. There is no court oversight of this process, and the POD beneficiary is free to use the money in the account for any purpose.

A POD account is different from a joint account.

Unlike a joint owner on a joint bank account, a POD beneficiary has no ability to access the POD account during your lifetime. The POD beneficiary only gains access to the account after your death. In this way, a POD account can be a better option than a joint account. Money in a POD account is not at risk to the POD beneficiary’s debts, liabilities, or creditors. However, POD accounts can cause you to accidentally disinherit other loved ones. While you might intend to leave some amount of money to other people, POD accounts will pass automatically to only one person at your death, and your other loved ones will have no claim to the money that was in the POD account.

Planning for your assets at death is important for the people you leave behind.

There are default rules about who receives your property at death, but your wishes may be very different from the default rules. Creating a plan is particularly important if you want to include loved ones outside of the “traditional” roles. For example, couples who are not married would not normally inherit from each other under the default rules, but they can create use POD accounts to provide for each other at death. Friends, step-children, and charities are also not included under the default rules, but you can name them as a POD beneficiary on an account to provide for them. Sometimes, creating POD accounts may be just one part of your plan, and you might choose to create a Will or a Revocable Living Trust in addition to creating a POD account.

Get started.

You can create a POD account by visiting your local bank branch. It’s also a good idea to speak to an estate planning attorney about whether POD accounts are right for you.