



*Pathfinders in Elder Law*



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### ***Be Aware of the Dangers of Joint Accounts***

Many people believe that joint accounts are a good way to avoid probate and transfer money to loved ones, and such accounts are sometimes referred to as "the common person's estate plan." But while joint accounts can be useful in certain circumstances, they can have dire consequences if not used properly. Adding a loved one to a bank account can affect Medicaid planning as well as expose your account to the loved one's creditors.

When a person applies for Medicaid long-term care coverage, the state looks at the applicant's assets to see if the applicant qualifies for assistance. While a joint account may have two names on it, most states assume the applicant owns the entire amount in the account regardless of who contributed money to the account. If your name is on a joint account and you enter a nursing home, the state will assume the assets in the account belong to you unless you can prove that you did not contribute to it.

In addition, if you are a joint owner of a bank account and you or the other owner transfers assets out of the account, this can be considered an improper transfer of assets for Medicaid purposes. This means

that either one of you could be ineligible for Medicaid for a period of time, depending on the amount of money in the account. The same thing happens if a joint owner is removed from a bank account. For example, if your spouse enters a nursing home and you remove her name from the joint bank account, it will be considered an improper transfer of assets.

Another problem with joint accounts is that the account is vulnerable to all the account owner's creditors. For example, suppose you add your daughter to your bank account. If she falls behind on credit card debt and gets sued, the credit card company can use the money in the joint account to pay off your daughter's debt.

Finally, you need to be sure you can trust the joint account holder because he or she will have full access to the account. Either account owner can take money out of the account regardless of who contributed to the account. There are better ways to conduct estate planning and plan for disability. A power of attorney will ensure family members have access to your finances in the case of your disability. If you are seeking to transfer assets and avoid probate, a trust may make better sense. To learn more, talk to an elder law attorney. ▲

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*Severns & Stinson is an Indianapolis Elder Law firm that helps older adults, persons with disabilities and their families plan for long term care needs, protect assets and get the care they need. For up-to-the-minute information about elder law issues and to sign up for our electronic newsletter, visit our website, [www.severns.com](http://www.severns.com).*



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