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Be careful about adding your adult child to the bank account or house title

By SANDI WEAVER

Many older clients want to add one or more of their children to the bank account or to the house. The child could write checks as needed for you. You intend to give your child the house anyway when you've passed on. Think carefully first! Ask your attorney second.

Here are some reasons why this may not be the best approach.

Adding an adult child's name, we'll assume it's "Sally", actually makes it a gift to her. That may trigger gift taxes, if the amount is over the \$14,000 annual exclusion amount, or play havoc with your estate planning if you use up some of your applicable exclusion amounts. Usually your CPA will advise you to file a gift tax return for these larger gifts, for good reasons you don't want to ignore.

Let's say you've now made Sally an owner on your bank account or home. If she inadvertently runs into a schoolbus of children and is found to be at fault, you may need to say goodbye to your money. Your bank account could be awarded to the wronged parties and their attorneys. Whether your house would be at risk depends on state law, whether you reside in Missouri or Kansas.

Ask yourself if your adult child may at some future point come under pressure from creditors or third parties. Since Sally is an owner, she can drain the bank account at any time. Sometimes people may feel forced to take unethical steps, telling themselves they'll pay it back before you find out. It's unlikely an adult child could take a mortgage or line of credit on your home, without your knowledge. Your exposure on that asset is probably less.

Let's say Sally's marriage runs aground, as so many do. Since she is a joint owner now, that bank account or that house may be subject to division with her soon-to-be ex-spouse. That means your asset can be assumed to be her asset. If that's worth \$50,000, for example, on her side of the ledger, it's \$25,000 less she'll get in a 50-50 split of the assets from her ex. By adding Sally to the bank account or house, you may have short-changed her portion of an equitable division of assets, leaving her poorer.

Rather than add your adult child's name to an asset, consider using a transfer on death or payable on death designation. Consider using a springing durable power of attorney for financial decisions so Sally can step in when needed on your behalf. A revocable trust can also solve these problems so your adult child can provide assistance if you're incapacitated.

Adding your adult child's name to a bank account or to your house is fraught with potential problems. Consider talking with your banker, your attorney, or financial advisor about better solutions.

The Money Matters column is written by members of the [Financial Planning Association of Greater Kansas City](#). This week: Sandi Weaver, a certified financial planner and owner of Financial Security Advisors, Prairie Village.