



INSTRUCTIONS “FUNDING” YOUR TRUST

DEPOSIT INSTITUTION ACCOUNTS (Banks, Credit Unions, CDs)

Financial Institution Accounts. You, as Trustees of your Trust, must **OWN** all bank, credit union, money market accounts, and CDs. As Trustee(s), you will continue to have the same access and control as you do now.

No new checks since “Trustee” is not required to be printed on the checks.

Your Social Security number will still be the tax ID.

You will continue to receive a Form 1099 and enter your interest income on your tax returns the same as you do now.

The only change is on the institution’s records.

Life goes on just as it does now.

So, go to your institution and take your estate documents binder with you.

Tell the customer service representative that you want to “transfer your account to your Trust.” (Just use that phrase even though it is not correct. They will know what you mean and you won’t have to train them.)

The representative will need a copy of your Certificate of Trust behind Tab 1, not the whole Trust Agreement (Tab 2).

MAKE YOUR TRUST THE OWNER OF THE ACCOUNTS.

You want you, as Trustee(s) of your Trust, to be the **OWNER** of the accounts, **NOT POD** (Pay on Death) - **NOT AS THE BENEFICIARY**. This is sometimes confusing to people at the institutions, they may not as informed as you about this important issue.

- A. **BEST WAY – TRUST OWNS THE ACCOUNT.** If you **OWN** your accounts as Trustee(s) of your Trust, you do not need a beneficiary designation or “pay on death.” Your Trust survives your death(s) and your Successor Trustee takes over immediately – no courts or probate, no attorneys, no delays.

Example 1: If you are married and your spouse is healthy, as a co-trustee of your Trust with you, they will still have full access to your accounts.

Example 2: If both you and your spouse are living, but both of you are incapacitated at the same time, then your Successor Trustee will be able to gain access to your accounts and disperse money for the benefit of both of you.

Example 3: If your spouse has predeceased you or you are not married, and you become incapacitated, then your Successor Trustee will be able to gain access to your accounts and disperse money for your benefit only.

Example 4: If you, or you and your spouse die, then your Successor Trustee will have immediate access to your accounts and can make distribution to your heirs as directed in your Trust. Your Successor Trustee will present your Death Certificate and a copy of the Certificate of Trust appointing them as your Successor Trustee, to the representative to gain immediate access to your accounts.

Why? When your Successor Trustee takes over for you after your death, they have immediate access to the account as Trustee. If the Trust is the beneficiary, the Trustee has to open a new account and transfer the funds over. More hassle, more chance for delay and mistakes.

- B. **OK WAY – Trustee as beneficiary/POD.** If your Successor Trustee, as the new Trustee of your Trust, is the beneficiary on your accounts, your Successor Trustee will have to open a new account for the Trust and transfer the funds over. More hassle, more delay, and more chance for mistakes.

EXCEPTION – Sometime an institution has all your accounts with them tied to one master account number. This happened the other day at America First Credit Union. Les' IRA was attached to the same account number as her checking and savings. (An IRA must be owned by you individual and cannot be owed by a Trustee.) She also had several direct deposits going into her checking account. To own her accounts as Trustee of her Trust, she would have open a new checking account and redirect all her direct deposits. In her situation, to keep things simple, we put her down, as Trustee of her Trust, as the 'pay on death' (POD) beneficiary of the accounts.

- C. **DANGER – Do NOT put anyone on the account with you as a joint owner.** You may want to have someone besides you be able to sign checks for you if, for some reason, you became incapacitated and needed help managing your finances. There is one right way and one very wrong way to set this up.

1. **RIGHT WAY – Signatory ONLY.** Your trusted person who you want to be able to sign checks for you should be a *signatory* only. They sign the paperwork at the bank and are then able to sign checks for you and your benefit.
2. **WRONG WAY – Joint Tenant or Joint Owner.** Be sure you do not make your trusted person a *joint tenant or a joint owner*. This is a big mistake. If you make them a joint owner, you have made a gift to them of one-half of your account.

While you are alive, it also means that the bank must honor their demand for cash so they can clean out your account.

When you die, the account belongs to them, and they have no legal obligation to share the money with anyone else. This completely bypasses your Trust and the distribution system you intended.