What to know about joint accounts
By Diana Cawfield • Bankrate.com

A joint account can be both simple and complex -- from sharing a basic bank account to co-owning a big ticket item like a house or financial assets.

In the first instance, a joint bank account can be a helpful tool in a busy household. Pooling funds into one account to cover shared expenses, such as groceries and rent or mortgage payments, can help in sharing costs and keeping track of expenses.

In the case of joint accounts for property or financial assets, the situation is more complex and can have unexpected consequences. That's why being aware of the ins and outs of joint accounts is essential.

First and foremost, every couple and family is different, so one size does not fit all when it comes to managing joint accounts. So, we tapped into the experience of two financial experts to share their collective insights.

Why a joint bank account?
When talking about joint bank accounts, Karin Mizgala, co-founder of Vancouver-based Money Coaches Canada, a national network of financial professionals, boils it down to three main characteristics: personal preferences, simplicity, and organization.

Personal preference: "When you start having a joint account, it really depends on the stage of the relationship," says Mizgala, who is also a certified financial planner. "Hopefully you've decided that you're going to have ongoing conversations around money and that you're comfortable in working together on at least part of your finances."

In many relationships, it's not an all-or-none decision when it comes to joint accounts. Mizgala thinks it still makes sense for people to have a separate account in their own name to be used at their personal spending discretion.

Simplicity: For most couples considering a common account, Mizgala thinks a joint account that deals with the very obvious sort of simple-to-divide expenses is a good place to start: "Things to do with the house, which are often split 50/50, could easily be done through a joint account." Setting up a joint account for a dream trip can also be a helpful saving tool.

Organization: If something should happen to one of the account holders, there is ease of access and keeping things organized.

Despite the advantages of joint accounts, they should be considered with caution. "If you're joint with somebody and have signing authority on the account it means that they could deplete the account if they wanted to," says Mizgala.
Joint accounts with rights of survivorship

Among joint accounts are those with right of survivorship. "There are really only two reasons to open such an account," says Daniel Goodman, president, CEO and chief investment officer of GFI Investment Counsel Ltd in Toronto. "It's really to plan for the estate and avoid probate fees, and also for ease of administration." Yet setting up a joint account with right of survivorship to avoid probate fees should be considered carefully.

Undo challenges can occur when accounts are shared, such as issues with divorce or family feuds over estate decisions. According to Goodman, potential hazards can include:

- **Tax implications** -- If the joint account is not with your spouse, there can be tax considerations in transferring the account.
- **Loss of control** -- If you put your assets in a joint account, you have a potential loss of control. That new joint account owner must agree to any changes to the account, sales, etc., and you may not have given that a lot of thought.
- **Credit rating danger** -- If one joint account holder has creditor issues and goes bankrupt, the other joint account holder gets pulled into that situation.

The benefits of joint accounts

According to Goodman, as people get older they risk losing their investment acumen and the fraudsters of the world prey on the elderly. One of the "great benefits of opening a joint account with one of your children" or a close relative, for example, is the added safety factor: "If a parent or grandparent is approached by a fraudster and says, 'Well, all my assets are set up with my son (or whoever), I will run this by him,' you usually get a click on the other end of the line," says Goodman.

The bottom line: think twice

Foresight and knowledge can go a long way in avoiding any joint account pitfalls. "Depending on the size of one's estate and what they're rolling into joint, people should at minimum speak to their accountant and quite possibly an estate lawyer," says Goodman. "I would strongly encourage people to think about the pitfalls, the loss of control -- these are things that people don't necessarily focus on enough."