

Funding Your Trust – Bank Accounts

Sizeable checking accounts, savings accounts, money market accounts, or similar types of accounts at a bank or other financial institution, should be transferred to your trust. You need not change any small joint checking accounts used primarily for household expenses.

Many financial institutions will change the ownership of the account without changing your account number so any automatic withdrawals or additions will continue uninterrupted. Retitling your checking account should have no effect on the name you wish to have printed on your checks. It only affects the institution's records.

Financial Institutions may ask for a copy of the Certificate of Trust as proof of the existence of the trust. They also may request some pages from your trust. Usually they need the first page and the signature page. They may also request the page on successor Trustees and the pages that show the authority of the Trustee to transact banking business (see the table of contents of the trust). They should not need a copy of your entire trust, although they sometimes will request to see the Trust. If you have any questions regarding the information requested, please contact us.

Before you retitle your certificates of deposit, consult with a bank officer to make sure that the institution does not consider the change in account name to be an early withdrawal that incurs a penalty. Generally, this should not be a problem because your tax identification number for the account will remain the same. If the change will cause the loss of interest, you have to decide whether to run the risk of those accounts being outside of the trust or losing the interest is worse. Consider the time left before it can be transferred into the trust when making your decision.

The tax identification number on the account for withholding and reporting purposes will remain the same (your social security number). For joint trustee trusts, be sure to give each trustee signature power with respect to the account. You should sign the new signature cards as Trustees.

After you have made the change, check your account statements to verify that they reflect the appropriate trust as the proper owner.

Another way to title the bank accounts is to designate the appropriate trust as the "Payable on Death" ("POD") payee. You would personally be the record owner of the account during your lifetime, but any balance remaining in the account at the time of death is automatically transferred to the appropriate trust. This is not the best way to hold your bank accounts because of the problems this creates upon the incapacity of the account holder. If the appropriate trust owns the account, your Trustee can have access to the proceeds in case of incapacity.

Do not hold an account by Joint Tenancy with the Right of Survivorship (JTWROS) with any other person, (a small household account held by spouses is an exception). Assets owned by you and any other person as joint tenants with the right of survivorship will pass to the surviving joint tenant automatically by operation of law at your death. Those assets will not become part of the appropriate trust. Joint Tenancy allows the creditors of any joint tenant to get to all the joint tenancy property. This subjects your property to unnecessary risk of loss since you have no control over the creditors of other joint tenants.

Savings Bonds

You can transfer US Savings Bonds to your trust. The transfer is made by having the bonds reissued in the name of the Trustee. The Federal government requires the use of Form PD 1851 for transferring U.S. savings bonds. The back of the form has complete instructions. After you have filled out the form, your signature must be “guaranteed” by an officer at your banking institution, and forwarded along with the bonds to the address listed on the form. It is best to send the bonds by registered or certified mail.

US Treasury Bills

If you have a Treasury Direct Account it can be retitled in the name of the trustee by using Form PD F 5178 E.

Safe Deposit Box

Typically, the right to the use of a safe deposit box is created in the form of a rental agreement between a financial institution and a customer. You can transfer your safe deposit box by assigning the rights under the existing rental agreement to your trust or by having the trust itself enter into a new rental agreement with your bank.

It is also a good idea for you to allow a successor trustee the authority to access the box so that if you should become incapacitated or deceased, the successor trustee can get into the box.