



Pioneer Bank & Trust

Trust & Investments

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Joint property

There are three types of co-ownership of property:

Tenants in common each own a share of property in proportion to their contribution to its acquisition. If John and Mary purchase Blackacre for \$100, with John providing \$30 and Mary the remaining \$70, their ownership is also 30%-70%. At Mary's death, her 70% interest will pass to her heirs according to the terms of her will.

Joint tenancy with right of survivorship, sometimes abbreviated JTWROS, is the approach that most married couples take when they purchase their first home. At the death of a joint owner, his or her share passes automatically to the surviving owner or owners.

Tenancy by the entirety is a form of JTWROS that is limited to married couples, and it is not available in all states. This approach adds a layer of protection for the surviving spouse, as the property cannot be used to satisfy the debts of the deceased spouse until the death of the survivor.

Joint ownership can be convenient and easy. However, there are some drawbacks to consider.

Permanence. Once a joint ownership interest has been created, it cannot be undone without the joint owner's consent. If Parent has put Daughter's name on his checking account, he can't later switch to Son as co-owner unless Daughter agrees.

Claims. Jointly owned property is subject to the creditor claims of all of the joint owners. If Parent has put Child's name on the title to the family home and Child later goes bankrupt, the family home will be vulnerable.

Fraud. Financial abuse of the elderly is a growing problem. Banks and other financial service providers are training their employees to spot troubling situations in which the elderly are being pressured into unwise transactions. In fact, making a younger relative a co-owner of an account is often a red flag.

Taxes. The tax ramifications of jointly owned property can be quite surprising and unexpected. In the case of a married couple filing jointly, most of those complexities will disappear. For all other situations, the advice of a tax advisor should be worthwhile before going forward.

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