



## **COMMUNICATION #2: DCCU Deposit Account Mistakes**

Are your deposit accounts working for you the way you want them to? All of us do it – we open an account without realizing what it does and what it doesn't do. In our last article we talked about "beneficiary blunders". In this post we'll look at some of the things you can do to avoid deposit account mistakes.

### **Do ensure your deposit accounts are properly titled for insurance purposes.**

Each unique account relationship at Delta Community Credit Union is insured for up to \$250,000 by the National Credit Union Administration (NCUA). Additional coverage may be available depending on how accounts are titled and if a POD (Payable on Death) beneficiary is utilized. Are all of your funds protected? You can find out by visiting <http://webapps.ncua.gov/ins/calculator.html> or calling the credit union. One of Delta Community's account advisors will work with you to make sure your accounts are titled to fully utilize the share insurance provided by the NCUA.

### **Do understand the difference between a Joint Owner and a Power of Attorney.**

When you have a joint owner on your account, that person is an equal owner of the account with the same rights to the funds as you. They also have rights of survivorship, so in case of death the funds do not pass through probate but rather directly to them.

In the case of a financial institution, giving someone Power of Attorney and appointing them your attorney-in-fact allows them to act on your behalf for financial transactions such as signing checks.

Why is this important to you? If the intent is to have someone act on your behalf in case you're out of the country or incapacitated, then in most cases you would not want them as a joint owner on your account and here are four good reasons why:

1. If a person who is a joint owner on your account has a judgment or is subject to a court order, it could attach to your account.
2. The account is considered 100% yours and 100% theirs; therefore, he or she would be allowed to withdraw funds whenever desired and for whatever purpose.
3. Upon death, the funds in the account pass outside of probate to the person(s) listed as joint owner on the account. Joint owners are not legally obligated to distribute those funds in accordance with the terms of your Will or in accordance with the laws of intestate succession.

4. If each "joint" owner did not make equal deposits into the account and are not married to one another, by making the non-spouse a joint owner, you may be subject to filing a gift tax return.\*

Another important thing to remember is that most financial institutions, including Delta Community Credit Union, require the use of their own Power of Attorney form. The reason for this is because there is a certain amount of risk posed by accepting these types of documents, both for Delta Community Credit Union and their members. Risks such as financial fraud, identity theft, account takeovers and elder financial abuse are just a few. For this reason, the credit union's Power of Attorney form has very precise and specific language governing the powers granted to the attorney-in-fact. Being comfortable with the language and understanding exactly what it entitles the attorney-in-fact to do on the affected account(s) is good for the member, the credit union and all the members of the credit union. Plus, keep in mind that the attorney-in-fact designated by the Power of Attorney form is obligated to act in a fiduciary capacity; that is, to act in your best interest, whereas a joint owner is not.

### **Do make sure your savings are in the right savings vehicle.**

If you're depositing heavily into a savings account or CDs at the credit union, then your money may not be earning the best rate for you. That's why it's so important to speak with a trusted financial advisor. They can work with you to help you with alternatives to CDs that work to meet your individual needs. **Delta Community Retirement & Investment Services\*\*** offers no-cost, no-obligation consultations and takes the time to help you understand how having your funds in the right place at the right time can prepare you for the future.

One of the most important things to understand is that inflation erodes your money. We all know about inflation. It's inflation that prevents your money from maintaining its purchasing power. Retirement investments are generally long-term. Many members will find themselves in retirement for three or more decades. Therefore one of the biggest risks for you, the investor, is inflation risk. In fact, if you deposit your money in an account that gives you a 1 percent annual interest rate in an environment with 3 percent annual inflation, your money, after taxes, is actually reducing at a rate greater than 2 percent per year!

There are a number of ways in which investors can manage, or reduce risks. Even when your life comes together, there is often change you might not expect. Thankfully Delta Community Retirement & Investment Services is here to act as your advocate to help you figure out what's next. We keep an eye on the latest trends and make sure no opportunity slips by you. And you'll find we truly are looking out for you. Our promise is to consult first and profit second.

\*Please seek guidance from a tax professional regarding your specific situation.

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