



TRANSFER ON DEATH ACCOUNTS

A Transfer on Death (TOD) account, also known as a Payable on Death (POD) account, is a bank or brokerage account that transfers to a named beneficiary when the account owner dies. TOD accounts are a common part of estate plans and can help ensure a smooth transfer of assets to beneficiaries.

A TOD account automatically transfers its assets to a named beneficiary when the holder dies. For example, if you have a savings account with \$100,000 in it and name your son as its beneficiary, that account would transfer to him upon your death.

With a transfer on death registration, the named beneficiaries have no access to or control over the person's assets long as the person is alive.

Key Takeaways

- Transfer on Death (TOD) designations avoid probate.
- Those named in a TOD don't have access to the assets before the owner's death.
- The TOD designation allows an account holder to pass assets from brokerage accounts, stock & bonds, and other types of securities.

Disadvantages of a TOD Arrangement

Some of the disadvantages of a TOD arrangement include the following:

- Piecemeal Planning: TOD designations are piecemeal, meaning that they are effectively asset-by-asset planning. A separate TOD designation will be required for each asset.
- TOD account may be subject to applicable estate taxes, capital gains taxes, and inheritance taxes.
- TOD registration may not be used for retirement accounts.

Unlike a TOD, a Payable on Death (POD) designation is an arrangement between a bank and a client that designates beneficiaries to receive assets after the client's death without going through probate. A POD designation is usually associated with bank accounts and certificates of deposit.

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