



## YOUR MONEY SORTED



# Joint home loans and bank accounts

### What happens when one partner dies

BY LETITIA WATSON

Send suggestions for topics and requests for info to [yourmoney@you.co.za](mailto:yourmoney@you.co.za). We may answer your questions in this column but won't reply personally.

**A** READER writes that he and his wife have a joint home loan as well as a shared bank account. While so far this hasn't created any inconvenience for them, the onset of the Covid-19 pandemic made them wonder what issues might crop up with

these accounts should something happen to either of them. Many couples share bonds and have accounts that both spouses use. We asked Johan Strydom, head of growth at FNB Fiduciary, what problems might arise and how to avoid them.

## 1 JOINT BANK ACCOUNTS

Usually these are in the form of a transaction account with both account holders having the right to perform transactions such as payments, purchases and withdrawals. For practical reasons many couples choose to transact household expenses through one bank account.

Should the bank become aware of the death of one of the account holders, it would usually put a hold (freeze) on this account. This means that the surviving account holder, who is the spouse in most cases, won't be able to use the account for any transactions, including deposits and withdrawals.

Many joint account holders have found themselves in this predicament. It gets worse when the breadwinner dies and the other account holder

doesn't have any funds for living expenses.

### ● Practical solution

Upon the death of a partner, a separate bank account could be opened immediately for the surviving spouse, but then that person will need to arrange for all deposits to be made to the new account, which could be time-consuming and inconvenient, especially while they are in mourning.

It might be easier and less stressful for arrangements to be made in advance, while everyone is healthy, to provide each partner with their own account. And each person should preferably have access to funds to cover expenses until the deceased estate has been settled, even if it's savings or a life policy that pays out into the surviving partner's account.

A lawyer, trust company, financial adviser or accountant

specialising in estate planning can advise you how to do this.

## 2 ACCOUNTS WITH AUTHORISATION

Sometimes couples don't have joint accounts but one party might be authorised to use the other's credit card. This authorisation expires if the account holder who gave the authorisation dies, and in any event personal bank accounts are frozen upon the death of the account holder.

This means that even though the other person has signing rights on the account they will no longer be able to perform transactions.

### ● Practical solution

Each person should ideally have their own savings and personal bank account so they have a financial cushion whatever happens.

## 3 JOINT HOME LOANS

Joint home loans are common because many couples can afford to buy property only by pooling their incomes. Their joint income also makes it possible for them to qualify for a bigger bond.

But a joint home loan means both parties are equally responsible for the outstanding loan amount. If one party dies,

it usually means the estate of the deceased partner will be liable for settling half the outstanding loan amount.

The surviving partner will then be liable for the outstanding amount of the home loan.

It's more difficult when a couple are married in community of property. Then the total outstanding home loan must be paid from the estate of the first person who dies.

It means the whole loan has to be settled, either from the deceased estate or by way of full payment by the surviving partner.

### ● Practical solution

Homeowners with outstanding mortgages could take out bond insurance cover. This means that on the death of the first partner the full loan amount will hopefully be covered.

This applies to couples married in community of property and also when you're married out of community of property and the deceased's estate doesn't have enough funds to settle their share of the loan.

In this case a life policy specifically for the payment of your bond could also work. Estate-planning specialists can advise you regarding the best option for your specific circumstances to avoid undesirable financial implications for the surviving partner. □

**TIP** Problems with joint accounts can also occur when one partner becomes insolvent or a couple split up. It can be a long legal process to settle who the money belongs to and sometimes the bank has to freeze the account until it's resolved. It's advisable for each partner to have their own account, even if you have a joint one for specific expenses.

### GET MORE ADVICE

- ▶ Estate planning: [fisa.net.za](http://fisa.net.za)
- ▶ Financial advisers: [www.fpi.co.z](http://www.fpi.co.z)
- ▶ Ombudsman for banking services: [obssa.co.za](http://obssa.co.za)