What happens to a bank account when somebody dies?

It depends on whether or not they named a beneficiary.

[Kat Tretina](#) Yahoo Finance Wed, Apr 17, 2024

No one wants to face their own mortality. Maybe that's why, according to a Gallup poll, less than half of U.S. adults have a will that describes how they want their estate handled after their death. The problem: Without a will, settling the estate of a deceased person can be more complicated.

A commonly overlooked aspect of estate planning is what happens to a bank account when someone dies. How the account is handled depends on whether a beneficiary has been named and the account type.

What happens to a bank account when someone dies (with and without a beneficiary)?

When someone passes away, their bank accounts — including checking, savings, or money market accounts — become part of their "estate," a legal term referring to the deceased's possessions and assets.

Their estate will enter probate, the process that recognizes a will and appoints an executor to manage the estate and distribute the assets. On average, probate can take six to nine months to complete, so not being able to withdraw money from the account can be a significant hardship for loved ones who need money to cover the deceased's final expenses.

If the deceased person has a will, their assets are distributed according to their wishes. But if there isn't a will or the will doesn't explicitly mention the bank accounts, state laws and account structure determine how the accounts will be handled.

If there is a beneficiary

An account holder can name a beneficiary on bank accounts and give them payable-on-death status. If that arrangement is made before the account holder's passing, ownership of the account would immediately transfer to the beneficiary. Because of this structure, payable-on-death arrangements aren't subject to probate, making it easier to access the money in the account.

Savings accounts, checking accounts, and certificates of deposit (CDs) can have payable-on-death beneficiaries.

If there is no beneficiary

If there is no beneficiary named at the time the account holder dies, the account will be frozen, and the account will enter the probate process. During that time, the money in the account is inaccessible until the probate process is completed and an executor distributes the estate.

If it's a joint account

The way joint accounts are handled depends on the account agreement and the laws of the deceased's state. Usually, joint accounts include the right of survivorship, in which case the surviving person automatically becomes the owner of all the funds in the account (regardless of who contributed the money), and the account doesn’t become part of the probate estate. However, the surviving joint account holder will need to provide a death certificate or similar documentation so the bank can verify the death and update its records.

If the deceased's state doesn't have right of survivorship provisions, the funds in the account are distributed through the estate during the probate process.

If there isn't a will

During probate, the courts will review the legitimacy of the will. In the meantime, the account is frozen. If the will is found to be valid, the executor will handle the distribution of the estate's assets.

Without a will, the estate is handled according to state laws, which vary by state. Generally, the surviving spouse is given first priority in the distribution of assets. If there is no surviving spouse, the assets are given to any children or other family members. With large families with multiple people claiming a portion of the estate, the probate process can be very complex and take a significant amount of time to resolve.

Bank account insurance

Deposit accounts opened with federally insured bank accounts or credit unions are backed by either the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF). Deposits are backed up to $250,000 per institution, per account holder, per ownership category.

When someone dies, the FDIC and NCUSIF will continue to insure the bank account as if the deceased were still living for six more months from the date of their passing. After that, account insurance may be impacted by the coverage limits. For example, if a child inherits the account and the funds bring their total balance to over $250,000, the difference may not be covered.

How to claim a bank account belonging to a deceased person

Now that you know what happens to a bank account when someone dies, you can come up with a plan to handle a loved one's assets. If a relative passes away, follow these steps to manage their bank account:

Make sure you have the authority to move forward: When someone dies, their bank account is inaccessible unless you're a joint owner or named beneficiary with payable-on-death status. Otherwise, you'll need to wait for the probate process to be completed and for the court to give you the legal authority to access the account. To withdraw money or close the account, you'll need to be the legal executor or trustee or be granted permission by the probate court.

Collect documentation: To make a withdrawal or close the account, the bank or credit union will require documentation of the deceased's death and your authorization to manage the account. You'll typically be asked for the following:

- A copy of your identification, such as a driver's license or passport

- Proof of death of the deceased, such as a certified copy of their death certificate
- Documentation about the account, including the account number, the legal name of the deceased, and their Social Security number
- Proof of your authority to manage the estate, such as a confirmation of your executor status or a Letter of Administration issued by the court

Contact the bank or credit union: Once you have the necessary documentation and details, contact the bank or credit union in person or by calling their customer service line. After reviewing the necessary documents, the bank will close the account. If there is money in the account at the time of closure, the bank will transfer the funds to the account beneficiary or named heir.

Dealing with the death of a loved one can be emotionally draining and logistically challenging. But having a clear understanding of the legal process and what steps need to be completed can make a difficult time less stressful.

Frequently asked questions (FAQs)

What is a bank account beneficiary?

The beneficiary on a bank account is the person named to receive the account's funds if the account holder dies. After death, the beneficiary receives immediate access to the money.

What happens when someone dies without a will?

When someone dies without a will, they are considered to have died "intestate." This means the probate court is responsible for determining how their assets will be distributed.

Can an executor use a deceased bank account?

Yes — the executor is responsible for liquidating the account and distributing funds according to the will. However, the executor is not allowed to spend the money for their own personal needs.

Who gets money if the beneficiary is deceased?

If the primary beneficiary on an account is deceased, the funds will be distributed to any contingent beneficiaries. If there aren't any, funds are distributed according to state laws.