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## SAVINGS ACCOUNTS HELD IN TRUST

House Bill 4597 with committee amendment  
First Analysis (5-4-89)

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Sponsor: Rep. Stanley Stopczynski  
Committee: Corporations and Finance

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### ***THE APPARENT PROBLEM:***

Public Act 248 of 1909 governs minors' bank accounts and deposits in bank accounts maintained on behalf of another. At present, if a trustee (say, a parent who opened an account for a child) dies, the deposit can be paid to the minor only if it does not exceed \$100. When the amount exceeds \$100, it can only be paid to the minor's legally appointed guardian. That sum evidently has remained unchanged for decades, despite the effects of inflation on the value of a dollar. Under the Revised Probate Code, when a person owes money to a minor, up to \$5,000 per year can be paid to a married minor, to the minor's guardian, or to a parent or the person having care and custody of the minor. This figure has been suggested as a more appropriate one to apply in the provision applying to bank accounts.

In a related matter, the provision for payment out of deposit accounts after the death of a trustee refers to "trustee" in the singular, thus failing to provide explicitly for accounts where there are more than one trustee. According to committee testimony, at least one bank has begun strictly construing the provision and has stopped offering deposit accounts naming more than one trustee, or in the example of an account opened for a child, naming both parents. This strict reading of the law can be circumvented with amendments to refer to situations involving more than one trustee.

### ***THE CONTENT OF THE BILL:***

The bill would amend Public Act 248 of 1909 to allow up to \$5,000 to be paid to the minor beneficiary of a deposit account if the account's trustee died. The bill also would amend provisions on the death of a trustee to accommodate situations where there were more than one trustee; deposits would not be paid directly to the person for whom a deposit was made unless all the trustees had died.

MCL 487.702

### ***FISCAL IMPLICATIONS:***

There is no fiscal information at present. (5-3-89)

### ***ARGUMENTS:***

#### ***For:***

The bill would update and clarify the law governing the payment out of deposits in bank accounts maintained on behalf of another, such as a bank account opened by a parent on behalf of a child. Under the bill, when the account's trustee(s) died, the provision that requires the deposit to be paid only to the legally appointed guardian of a minor child would not apply unless the account exceeded \$5,000. In addition, the bill would amend language referring to the death of a trustee to accommodate situations where there were more than one trustee to an account.

#### ***Against:***

Although the law allows a minor to open a bank account and to have access to those funds, one way to ensure that a child has adequate financial supervision is for an adult to open the account on behalf of the child. However, it appears that the bill may make it possible for an unduly large sum to be put in the hands of a child. For example, if a grandparent deposited several thousand dollars into an account maintained on behalf of a grandchild, and that grandparent died, the bank might be obliged to pay the account balance directly to the child. The probate code authorizes up to \$5,000 per year to be paid to a married minor, a parent, or person having care and custody of the minor. If the concern is to avoid having to have a legal guardian appointed in order to obtain relatively small sums, perhaps the bill would do better to adopt more of the language of the probate code provision from which the \$5,000 figure was taken.

#### ***POSITIONS:***

The Michigan Bankers Association supports the bill. (5-3-89)

H.B. 4597 (5-4-89)