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How Joint Bank Accounts Can Assist Co-Parenting

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Divorce mediator Nicole K. Levy discusses how divorced and separated parents can benefit from using a joint bank account for child-related expenses.

If you and your former spouse have had children together, you will co-parent to be involved in your children's lives. Co-parenting children can be tricky, especially if separated parents have lost trust in one another. Financial suspicions are a prime driver of acrimony between divorced and separated parents. Child support can drive stress, and expenses that may not be *covered by child support – such as extracurricular activities and school supplies – can result in parental conflict. Creating a joint bank account for child-related expenses is one way for parents to reduce post-separation stress and conflict. Joint accounts can be used by parents for expenses that fall outside of child support, such as extracurricular activities and uninsured medical expenses, as well as expenses that both parents have historically contributed to in a haphazard fashion, such as back to school clothes. Separated parents must show a degree of mutual respect and trust in order to establish a joint bank account, and it's important to set parameters to ensure this trust is not breached. Court orders and judgments outlining the agreement can be of aid, as well as ensuring you have the right bank, the correct settings, and an understanding of what gets deposited and what gets withdrawn. But the first step is agreeing on a plan: what is the purpose of the joint account, how much will each parent contribute to the account, and how will the funds be spent?*

How Funds are Spent: Spending Categories for Joint Accounts

Joint accounts can be used in a variety of ways, some conservative, others more liberal. The 2018 Massachusetts Child Support Guidelines identify several types of child-related expenses that typically require both parents to contribute to. These include uninsured medical expenses of the child and college-related expenses. Other common categories of shared expenses include extracurricular activities, educational costs and summer camps. A conservative approach to setting up a joint account might be limited spending from the account to these types of expenses. For some parents, it may make sense to create a joint account to purchase or contribute to the cost of medical insurance for the children or child-care costs. Sharing child-care costs is especially common when both parents utilize the same child care provider to provide some coverage during their respective parenting times. In their simplest form, joint accounts provide a convenient way to keep track of accounting, payments, and reimbursements for basic shared costs. For parents with shared custody of younger children, it often makes sense to use a joint account to purchase items like school *lunches, school supplies, clothes, sports equipment, and other items that will be used at each parent's home at different times. Good rule of thumb for many parents is this: if the child will be bringing an item back and forth between the parents' homes, use joint funds. Conversely, if the item will be used exclusively at one parent's home, it may make more sense for that parent to purchase the item. Finally, there are the costs incurred by teenagers and college students, such as the child's devices (iPhone, laptop, tablet), cell phone bills, auto insurance, gas, and all of the ancillary costs of college students, which range from travel expenses to off-campus housing to the cost of a motor vehicle. It is important to note that nothing under Massachusetts law requires parents to pay for their children's cell phones, car insurance, or gas. Historically, the purpose of child support has been to house, feed, and educate children – not entertain them. Of course, this does not stop children from asking their parents to pay for the latest devices and gadgets, nor does it stop parents from feeling obligated to purchase such items. A joint account can be a great way for parents to control their children's consumption habits, particularly if the parents can agree on the amount that the teenager him or herself should contribute to the budget. It is important for each parent to agree in advance to the expenses that will be covered by the joint account. Realistically, how parents use this account will depend on factors such as how many children you have, how old the kids are, the children's activities and aptitudes, the terms of the child support order, and each parent's financial resources.*

Funding the Joint Account: Who Deposits What and When?

How to fund a joint account is largely a matter of common sense. In most instances, it makes sense for each parent to contribute a fixed amount every week or month. The parents' contributions can be equal or adjusted to reflect each parent's financial means. If one parent earns twice as much take-home income as the other parent, it may make sense for the higher-earning parent to contribute more. Another common approach to funding joint accounts is to identify a specific income stream and agree to contribute a percentage of the stream to *the account each year. Take, for example, a high-earning parent who already pays substantial weekly child support to the other parent that is calculated on his or her base salary. If this parent also earns an annual bonus, the parties may agree that the higher-earning parent will fund the account with 25% of his or her bonus each year, in lieu of paying a share of the bonus to the other parent as child support. Such arrangements enable parents to adjust their child-related spending each year based on the wealthier parent's actual earnings. There is no "right answer" in terms of minimum or maximum funding requirements for such accounts. A lower funding level can be less complicated, since parents often identify a small core of necessary payments and apply the funds to these expenses without the need for much discussion. Higher contribution levels require parents to consider: what should they do with excess/unused funds? The simplest solution to unused funds is to simply rebate the funds to the parents or, somewhat less commonly, agree that the children will receive any unused funds upon becoming emancipated. Lastly, some parents choose to fund joint accounts on an as-needed basis. For example, if both parents hold individual accounts at Bank of America, it is relatively easy to set up a joint account at BOA, into which each parent can easily transfer funds via their smartphones. If the parents identify a joint expense, they each transfer in the necessary funds, and the check goes out soon after. The bottom line is this: there are two main reasons for creating a shared account. The first reason is to jointly save for child-related expenses, such that a pool of funds is available to pay for certain costs when the need arises. The second reason for a joint account is more mechanical; the account serves as a good way to track costs and payments, and to avoid the headaches of reimbursement. Parents whose focus is the former purpose – saving – should create a regular funding mechanism that ensures money is available in the account. For parents focused on the second objective – tracking and coordination – regular contributions are less important due to each parent's willingness to communicate and use the account when the specific need arises.*

Look for a Joint Bank Account that Fits Your Needs as Separated Parents

Not every joint checking account is the same, and your needs will determine what type of account is right for you as parents. Decisions will need to be made as to overdraft protection, account limits, etc. Having a joint account that does not have a minimum amount, or that has a very low minimum, and also provides online access to bank statements are almost always fundamental; and are important factors to consider if avoiding bank fees is important. In general, we recommend larger banks that have well-developed smartphone apps and online features, such as mobile deposits and instant transfers. In most instances, it also makes sense for each parent to have at least one personal account at the bank, since this will greatly enhance the speed and simplicity of each parent's transfers and deposits into the joint account. Lastly, a good internet interface and smartphone app are helpful for monitoring transactions in real time. The ideal bank has available debit cards and will send paper statements to both parents' respective addresses – and will provide access to each parent through separate username/passwords. Account alerts – i.e. notifications sent by email or text each time certain payments or other events occur – are also extremely helpful for keeping both parents in the loop whenever funds are withdrawn from the account.

Who's in Charge? Settings Responsibilities for Joint Bank Accounts

The question of who's in charge of the account generally boils down to this: who writes the checks? Under most joint account arrangements, both parents will have direct access to the account, but in some instances it may be easier to delegate one parent responsible for issuing most of the payments from the account. There are two schools of thought on how to manage a joint account. One approach is to delegate one parent as the primary "spender" on the account. The other parent has access to the account, but generally avoids issuing checks or using the debit card for the account. This approach makes sense if one parent has historically purchased the types of items *covered by the account. For example, if the account focuses primarily on uninsured medical expenses and school-related costs, it may make more sense for one parent to take the lead in managing the account. Lastly, it sometimes makes sense to delegate one parent as responsible for making payments from the account if that parent is simply better organized financially than the other. Not everyone is good at budgeting, managing household expenses or staying organized on expenses. If one parent is simply better at these kinds of tasks, it may make sense for that parent to have primary responsibility for managing the operation of the account. That said, a parent who is delegated as the main account operator must also take on the responsibility of reporting account activities to the other parent, including checking with the other parent before using account funds for certain expenses. The second approach is for each parent to spend from the account as needed. This approach makes particular sense if each parent will be carrying a debit card for the account. This approach also makes sense if the parents have designated the account to pay for a very wide range of expenses, such as food and clothing for the kids. The downside to both parents spending freely from the account is that it becomes difficult to track expenditures, and that funds can become depleted quickly if the parents don't exercise discipline over spending. For many parents, the best solution is a hybrid approach in which one parent is generally responsible for issuing checks and monitoring regular, recurring payments – while the other parent maintains a debit card for expenses that arise from time to time. How the funds are managed is closely related to the types of expenses covered by the account. Finally, parents must consider whether the children will have access to the account. Older children may directly incur expenses such as gas, eating out, or other expenses that the parents have agreed to pay for. In general, parents should be cautious about giving their children direct access to a joint bank account. It often makes more sense to provide children with a separate debit or credit card, which the parties can then pay using funds from the joint account.*

The Benefits of Transparency: Joint Accounts Making Tracking Expenses Easier

With smartphone apps and internet access, joint bank accounts can allow parents to collaborate, track, and manage shared expenses more effectively than through traditional methods. A joint account can be used for something as simple as splitting or reimbursing a small number of expenses, or it can be used to accumulate savings for major child-related activities and expenditures. Most of all, joint accounts are convenient. Instant transfers are faster and far easier to track than checks mailed between parents. Similarly, joint accounts reduce or eliminate the need for parents to provide "proof of payment," since the joint account can be used for the direct purchase of child-related goods and services. Being a single parent is not easy. When parents are divorced or separated, each parent tends to act as a financial island, cut off from the other parent's expenditures. Factors such as guilt or competition with the other parent can cause parents to spend more than they should on their children. Joint accounts allow separated parents to reduce some of these challenges by increasing transparency and cooperation. Even if divorced parents do not get along on a personal level, understanding and accounting for the costs of their children can reduce stress and improve co-parenting over time.

Pitfalls of Joint Accounts: Issues and Concerns Raised by Joint Accounts

Divorced or separated parents can run into problems when operating a joint bank account. Most problems with joint accounts arise out of a lack of precise language defining exactly how the account should be *funded, operated, and expended. A quick list of potential problems includes:*

1. ***Lack of Clarity on Eligible Expenses****. One common mistake that parents make is failing to define exactly what costs should be paid from the account and how. When parents are getting along, it may be fine to follow general language, such as "the funds will be used to pay for agreed-upon child-related expenses." But what happens when the parents stop agreeing? When possible, the agreement language should include a specific list of costs, such as mandatory school fees, school activity fees (field trips, etc.), sports fees, sports equipment, music lessons, etc. Parents can always complete the list with a catch-all provision for "any other agreed-upon child related expenses."*
2. ***Lack of Clarity on How Funds are Expended****. Ideally, an agreement features a simple method for each parent to notify the other before incurring a new expense. For example, a parent should provide email notice to the other parent upon making a purchase or commencing a new recurring fee, including a brief description of the expense and the amount and frequency of the cost. The agreement should define whether the account payments will be made by check, debit card, and/or cash, and what steps a parent should take before and after an expenditure. If one parent will be primarily responsible for most purchases, it may make sense for that parent to export a monthly spreadsheet and email it to the other parent.*
3. ***Lack of Clarity on Account Access and Transparency****. An agreement should define each parent's account ownership status (i.e. joint checking account), online access, and debit cards. The agreement should note whether the parents will share the same login/password or have separate passwords. Parents should learn in advance if the bank will mail or email statements to two different physical/email addresses, and whether account alerts and mobile apps can be set up for separate devices.*

4. ***Parental Disinterest and Disorganization**. Operating a joint account requires both parents to pay some level of attention to the account activity. Problems tend to arise when one parent has been operating the account for a long period of time without any input or review by the other parent. Similarly, cost sharing through a joint account only works if both parents are willing to use the available technology to make instant transfers, track payments, and use the tools available online.*
5. ***Know the Bank's Rules and Account Structure**. Finally, it is important for parents to educate themselves on how joint bank accounts work, and answer questions like: should they set up and fund a separate individual account at the same bank to make transfers easier? Small banks often provide a better in-lobby experience, with tellers customers know and trust, but these banks often lack the online tools and smartphone technology offered by bigger banks. We tend to recommend Bank of America for joint accounts, not because we are great fans of the bank, but simply because BOA has been at the vanguard of smartphone technology such as instant transfers, mobile check deposits, and other tools that can prove useful to parents who are managing a joint account.*

About the Author**: Nicole K. Levy is a mediator for South Shore Divorce Mediation in Hingham and East Sandwich, Massachusetts. She is also a Massachusetts family law attorney for Lynch & Owens. **Schedule a free consultation with** Nicole K. Levy**today at (781) 253-2049 or send her an email.