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**THE WALL STREET JOURNAL.**  
WSJ.com

ASK ENCORE | OCTOBER 4, 2008

## Joint Tenancy on Brokerage Accounts Can Be Complex

By KELLY GREENE

**My wife and I hold all of our stocks as JTWROS (joint tenants with right of survivorship). When the first spouse dies, does the whole portfolio get the stepped-up basis, or just the decedent's portion? How is the sale of the portfolio administered? Can the stepped-up stocks be sold first, or must the non-stepped-up stocks (with a lower cost basis) be sold first?**

—Carl Burghardt, Virginia Beach, Va.

When a married couple holds a brokerage account as joint tenants and one spouse dies, each share of stock gets a basis adjustment. But you have to use a complicated formula to do it.

Here's how it works: You would determine each share's new basis in most cases by adding together half of the original purchase price and half of the stock's value at the time the first spouse died. Let's say the spouses had bought 100 shares of International Business Machines Corp. for \$50 a share, and it's worth \$100 a share when the first spouse dies. The new cost basis for the surviving spouse would be \$75 a share, or one-half of \$50 plus one-half of \$100, according to Hal R. Terr, a senior tax manager for WithumSmith+Brown, an accounting firm in Princeton, N.J.

In current market conditions, it's important to keep in mind that a stock's basis could be stepped down, rather than up, depending on whether the price has fallen below the stock's previous cost basis, says Blanche Lark Christerson, a managing director with Deutsche Bank Private Wealth Management in New York. So, you potentially could use a loss from selling it to offset gains from selling other appreciated assets.

As you may have concluded by now, joint tenancy isn't the simplest way to hold your investments. Joint tenancy is often used as a strategy for avoiding probate, but "it limits your tax flexibility," says Martin Shenkman, an estate-planning attorney in Paramus, N.J. If you owned the stock separately, either in your individual names or as tenants in common, the shares belonging to the first

spouse to die would get a basis adjustment, he adds. "And you would be able to pick and choose which shares you were selling first to control the tax benefit," he says.

**Note:** We're assuming that you and your wife are both U.S. citizens and that you created your joint tenancy after 1976 (when there was a change in federal tax law). State laws can have an impact on the way the federal rules work, as well. And if the stock is transferred from the deceased spouse to joint ownership less than a year before he or she dies, there's no basis adjustment, Mr. Shenkman says.

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