CLIENT MEMORANDUM

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Kentucky's Credit Unions

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RE: Kentucky Senate Bill 50 (2026)

This memorandum reviews those sections of Kentucky Senate Bill 50 of the 2026 Regular Session (SB 50) that may be of interest to Kentucky credit unions. Most of SB 50 takes effect on July 15, 2026.

One relevant section has a delayed effective date. Section 141 of SB 50 provides that Sections 124 and 125, which create a new motor-vehicle transfer-on-death procedure and the related usage-tax exemption, take effect January 1, 2028.

Senate Bill 50 is a 147-section omnibus revision of Kentucky's law governing descent, wills, estate administration, electronic estate-planning documents, and trusts. Large portions of SB 50 concern only estate-planning attorneys, probate courts, trustees, and beneficiaries. This memorandum addresses only the provisions that may have a meaningful effect on credit-union operations.

This memorandum is provided for general informational purposes. It reflects the law as of its date and is not legal advice to, and does not create an attorney-client relationship with any particular credit union. It does not address the specific facts, account agreements, loan documents, policies, or circumstances of any individual institution, all of which may affect the analysis. Any specific legal issues should be referred to the credit union's legal counsel.

Executive Summary

Senate Bill 50's biggest changes are to substantive estate rights and probate procedure. The most important practical effects are that the documents a credit union receives may look different, that the population of persons who may later assert a claim against funds at a credit union will probably increase, and that a new transfer on death vehicle-transfer process arrives in 2028.

The following provisions are the most important for credit unions to know:

1. **Surviving-spouse claims can now reach nonprobate accounts.** Amended KRS 392.020 redefines the surviving spouse's "surplus personalty" share to include payable-on-death, transfer-on-death, and beneficiary-designated funds (including IRAs and other retirement

accounts) and joint accounts with right of survivorship. It gives the spouse a direct statutory action against the person who receives that property. The claim runs against the recipient, not against the paying credit union.

2. **The credit union's payment mechanics are unchanged.** SB 50 does not amend Kentucky's multiple-party and nonprobate-transfer account statutes (KRS 391.300 to 391.360). It does not alter credit union account agreements and should not change how survivorship or beneficiary accounts are handled.
3. **Intestate heirship has changed.** Amended KRS 391.010 places the surviving spouse first in the order of descent in many intestacy cases. Credit unions should not determine heirship and should require court orders for individual accounts of intestate deceased members.
4. **Estate inventories and settlements are now confidential and sealed.** Amended KRS 395.250 says that probate estate inventories and settlements are now sealed and not generally available to the public.
5. **Kentucky now recognizes electronic wills and electronic estate-planning documents.** New statutes were adopted that validate electronic wills and electronic nontestamentary documents, including durable powers of attorney, agent certifications, certifications of trust, and disclaimers.
6. **A credit union's vehicle lien will survive the new transfer-on-death procedure for vehicles, effective January 1, 2028.** New KRS Chapter 186A allows transfer-on-death beneficiary designations on vehicles. SB 50 says the vehicle passes to the beneficiary subject to any existing security interest. This does not take effect until 2028, but the Transportation Cabinet's implementing regulations should be monitored.

Importantly, the bill does not convert a credit union into an arbiter of inheritance shares or family disputes. SB 50 imposes no new affirmative duty on a credit union to calculate a surviving spouse's share, to withhold or hold funds, to notify heirs, to search for family members, or to refuse payment to a validly designated party.

In summary, SB 50 changes who may ultimately be entitled to funds (intestacy and the redefined spousal share), changes the documentation a credit union may receive, and increases downstream claim exposure among private parties. For the most part it does not change when a credit union may release funds, and it does not create a duty to give notice, investigate family relationships, or resolve competing claims.

Detailed Analysis by Subject

1. Intestate Succession (KRS 391.010)

Prior Kentucky law. Before SB 50, under KRS 391.010, a decedent's real estate descended first to children and their descendants, then to parents, then to siblings and their descendants, and only then, if no such kindred survived, to the spouse. Personal property passed the same way under

KRS 391.030. The surviving spouse's principal protection was not the descent statute but the dower and curtesy interest in KRS 392.020.

New law under SB 50. SB 50 amends KRS 391.010, placing the surviving spouse at the head of the order of descent and fixes the spouse's share by reference to the family structure:

- If there is no surviving descendant, the spouse takes the entirety. KRS 391.010(1)(a)1.
- If every surviving descendant of the decedent is also a descendant of the surviving spouse, the spouse takes the entirety. KRS 391.010(1)(a)2.
- If the decedent leaves one or more descendants who are not descendants of the surviving spouse, the spouse takes one-half. KRS 391.010(1)(a)3.
- If all of the decedent's descendants are shared with the spouse, but the spouse has one or more descendants who are not the decedent's, the spouse takes one-half. KRS 391.010(1)(a)4.

Property not passing to the spouse descends, in order, to the decedent's children and their descendants, then to parents, then to siblings and their descendants. KRS 391.010(2) to (4). The paternal and maternal kindred provisions in KRS 391.010(5) are reorganized, and, notably, stepchildren of the decedent are now added as takers ahead of escheatment. KRS 391.010(5)(c). If no kindred described in subsection (5) survives, the estate escheats to the Commonwealth under KRS 393.020. KRS 391.010(6).

Effective date and transition. The revised descent rules apply to estates of decedents dying on or after July 15, 2026. The date of death, not the date any account was opened, controls which version of KRS 391.010 governs.

Practical effect on credit unions. Intestacy governs probate property. It generally does not govern funds that pass by a valid joint-account, survivorship, POD, beneficiary, or trust arrangement. Those accounts pass outside the estate to the surviving joint owner or named beneficiary regardless of the intestacy shares.

Recommended operational response. No branch or operations employee should attempt to identify a deceased member's heirs or to compute intestate shares. Continue to require an order of appointment, a certificate of qualification, or an order dispensing with administration before releasing funds from an individual account without a beneficiary.

2. Dower, Curtesy, and Surviving-Spouse Rights (KRS 392.020)

Prior Kentucky law. Former KRS 392.020 gave a surviving spouse an interest in one-half of the decedent's "surplus" real estate owned at death, a life estate in one-third of real estate the decedent owned during the marriage but not at death, and an absolute interest in one-half of the "surplus" personalty. Assets such as POD accounts, joint survivorship accounts, life insurance, and retirement accounts were not considered "surplus" personalty and generally passed free of any dower or curtesy claim of the spouse.

New law under SB 50. KRS 392.020 was amended in two important ways. First, it deleted the spouse's fee interest in one-half of the surplus real estate; the spouse's real-estate entitlement is now provided through the intestate share in KRS 391.010. Second, and of direct significance to credit unions, the statute expands the definition of the "surplus personalty" in which the spouse holds a one-half interest to include property owned at death that is:

- payable by beneficiary designation, transfer-on-death designation, or payable-on-death designation, including retirement accounts whether designated as an individual retirement account or otherwise; or
- jointly owned with right of survivorship with another person.

The statute then builds in a series of credits and limits. The spouse's share is credited with the value of any such property the spouse actually receives at death, less confirmed funeral and burial expenses. KRS 392.020(3). Life insurance on the decedent's life is excluded from surplus personalty, but insurance proceeds paid to the spouse are credited against the spouse's share. KRS 392.020(4). Property in a revocable trust the decedent could revoke, and property subject to a general power of appointment, is included. KRS 392.020(5). Transfers the decedent made two years or more before death are excluded, while transfers within two years before death are included. KRS 392.020(6).

Most important for credit unions, subsection (8) provides that the surviving spouse "may bring an action against any person receiving property that is part of the surplus real estate or surplus personalty as necessary to satisfy the dower or curtesy claim of the surviving spouse with respect to that property." KRS 392.020(8).

Effective date and transition. The revised definition applies to the estates of decedents dying on or after July 15, 2026. Application of the statute turns on the date of death, not the date the account or beneficiary designation was created.

Why this matters, and what it does not do. It is tempting to read subsection (2) to require a credit union to treat a POD or joint account as belonging half to the surviving spouse. It does not. Subsection (8) says the spouse's remedy is against "the person receiving property," not at the institution that paid it. SB 50 does not amend the multiple-party and nonprobate-transfer account statutes (KRS 391.300 to 391.360), it does not amend credit union account agreements, and it does not create any duty for a credit union to calculate, withhold, notify, investigate, or adjudicate claims to account funds. The statute changes the substantive rights between the surviving spouse and the recipient of the funds. It does not change the credit union's contractual right and statutory authority to pay the surviving joint owner or the named beneficiary.

It is worth separating the distinct questions that this section can blur:

1. **The spouse's substantive right.** The spouse holds a one-half interest in an expanded pool of "surplus personalty," enforceable against recipients under subsection (8), reduced by credits for what the spouse already received.

2. **The credit union's contractual right to pay.** The account agreement and Kentucky nonprobate-transfer law still authorize payment to the surviving joint owner or POD beneficiary.
3. **The credit union's statutory protection for paying.** The protections in the multiple-party and nonprobate-transfer statutes and in the account contract are unchanged.
4. **The recipient's post-payment exposure.** The beneficiary or joint owner who receives funds may have to answer a spousal claim under subsection (8).
5. **The credit union has no notice or investigation duty.** SB 50 creates no new duties for credit unions. SB 50 imposes no duty to give notice to a spouse, or to adjudicate who in a family gets what from an account.

Recommended operational response. Do not change POD, joint-survivorship, or IRA payout procedures. Continue to pay the surviving joint owner or named beneficiary under the account agreement. Do not assume a beneficiary designation or a survivorship account eliminates every spousal claim; rather, recognize that such claims are asserted against the recipient of funds, not the credit union. Refer to counsel any matter in which a surviving spouse asserts a written claim to a specific account, presents a court order, or threatens litigation before payment, and any request that the credit union itself compute or withhold a spousal share.

3. Probate Filings, Inventories, Settlements, and Confidentiality (KRS 395.250)

Prior Kentucky law. Estate inventory and settlement filings were generally part of the public probate record that interested persons, including financial institutions, could review.

New law under SB 50. SB 50 makes the estate inventory and estate settlements confidential and requires that they be placed under seal when filed. Only a person authorized under KRS 395.015(3)(c) may obtain a copy without a court order.

Effective date and transition. These provisions take effect July 15, 2026, and apply to estates administered on or after that date.

Practical effect on credit unions. Credit unions that previously reviewed estate inventories for purposes of filing claims against estates will no longer be able to review them without filing a motion and getting a court order.

Recommended operational response. If the credit union genuinely needs to know the assets of an estate, engage counsel to file a motion requesting a court order authorizing access.

4. Dispensing with Administration and Simplified Estate Procedures (KRS 395.455, 395.470, 391.030)

Prior Kentucky law. Kentucky has long allowed a District Court to dispense with full administration of a modest estate, and to set apart the statutory personal-property exemption for a surviving spouse or children. A surviving spouse could also petition for an order authorizing withdrawal of a limited sum from a bank.

New law under SB 50. SB 50 modernizes and broadens these procedures in ways that affect probate practitioners but not credit unions.

Effective date and transition. These provisions take effect July 15, 2026, and apply to estates for which the procedure is invoked on or after that date.

Recommended operational response. Continue to instruct and train staff to recognize an order dispensing with administration, and to read the order to confirm that it identifies the specific account at your credit union and directs payment to the person standing at the counter. The credit union may rely in good faith on a facially valid court order. Stop and refer to counsel when the order is ambiguous or unclear, when more than one person claims the same funds, or when funds surface after the estate has closed.

5. Electronic Wills and Electronic Estate-Planning Documents (Sections 32 to 55)

Prior Kentucky law. Kentucky law required wills and many estate-planning documents to be signed in writing and, for wills, witnessed in the traditional manner.

New law under SB 50. SB 50 adopts two uniform acts that now allow electronically signed and notarized wills, and other nontestamentary documents such as trusts and powers of attorney.

What SB 50 does not do. Legal validity does not compel acceptance. A credit union may still require a certified paper copy, which SB 50 itself contemplates in Sections 38 and 51, verify the presenter’s identity, and apply its ordinary acceptance procedures. Under the Uniform Power of Attorney Act, which SB 50 does not repeal, a credit union retains its rights to request an agent’s certification under KRS 457.430, or an opinion of counsel, and to decline in the circumstances that statute allows. Further, an electronic will, standing alone, does not establish the authority of the named executor before probate and appointment.

Recommended operational response. Train staff to acknowledge that electronic documents can be valid. Train staff on how the credit union will authenticate them. Where an electronic durable power of attorney or trust is presented, confirm the notarization or acknowledgment and verify identity. Treat authentication as the central concern, because electronic documents raise a higher risk of alteration and forgery. Novel or suspicious documents should be referred to counsel.

6. Transfer of Motor Vehicles upon Death (Sections 124 and 125), Effective January 1, 2028

Prior Kentucky law. Kentucky had no general transfer-on-death designation for motor vehicles. A titled vehicle owned by a decedent typically passed through the estate or under existing joint-title rules.

New law under SB 50. A new section of KRS Chapter 186A creates a vehicle transfer-on-death procedure. The owner or joint owners may file a beneficiary designation form, to be prescribed by the Transportation Cabinet, naming one beneficiary to receive title on the death of the owner or the last surviving joint owner. On death, the beneficiary presents a death certificate, proof of ad valorem taxes, the title, and the transfer fee, and the county clerk issues a new certificate of title.

The clerk issues the new title “subject to any security interest in the vehicle.” The beneficiary’s interest is “subject to any contract of sale, assignment, or ownership or security interest to which the owner or joint owners of the vehicle were subject during their lifetime.” Subsection (7).

Effective date and transition. Sections 124 and 125 do not take effect until January 1, 2028, and the mechanism also depends on the Transportation Cabinet promulgating the designation form and regulations.

Practical effect on credit unions. When the regime begins, a credit union that holds a perfected lien on a member’s vehicle will find that its lien survives the owner’s death and the transfer-on-death to the beneficiary. The beneficiary takes the vehicle subject to the credit union’s security interest.

The new statute does not alter the contract remedies of a credit union upon death. The statute is a title transfer mechanism only. It does not alter, limit, or override a lender’s contract remedies and it does not contain an anti-acceleration clause. If a credit union’s loan documents make the borrower’s death an event of default and permit acceleration, SB 50 leaves that undisturbed. Whether a credit union may accelerate the debt upon the borrower’s death remains a contract law question.

Recommended operational response. No action is required before 2028. Treat this as an item to monitor. By January 1, 2028, update collection and repossession procedures to recognize that a vehicle may change hands at death automatically under the new statute.

Practical Scenarios

Scenario 1: Married member dies with an individual account and no beneficiary

Facts. A member dies with a single share account, no POD beneficiary, and no joint owner. The surviving spouse asks for the funds.

Guidance. The account is property of the decedent’s estate. Do not pay the spouse merely because she is the spouse and do not calculate an intestate or dower share. Request an order of appointment or a certificate of qualification, or, for a modest account, an order dispensing with administration that lists the account at issue.

Scenario 2: Married member dies with a POD beneficiary who is not the spouse

Facts. The member named an adult sibling as POD beneficiary. The surviving spouse objects and demands half.

Guidance. Pay the POD beneficiary under the account agreement. The spouse’s claim under KRS 392.020(8) is against the sibling who receives the funds, not against the credit union. Do not hold unless the spouse presents a court order. Refer the spouse’s written demand to counsel, but do not withhold on the strength of an objection alone. The credit union should not decide the spouse’s share. If you are in doubt, refer to counsel.

Scenario 3: Member dies with a joint survivorship account

Facts. The account is titled jointly with right of survivorship with the member's adult child.

Guidance. The funds pass to the surviving joint owner, the child in this scenario. A hold is appropriate only if the true character of the account is credibly disputed, in which case counsel should be consulted.

Scenario 4: A purported executor presents an electronic will but no appointment documents

Facts. An individual presents what appears to be a valid electronic will naming him executor and asks to access the member's accounts.

Guidance. An electronic will is legally valid, but it does not confer authority to act on behalf of an estate. The named executor must be appointed and qualified by the District Court. Request an order of appointment, a certificate of qualification, or an order dispensing with administration before releasing funds.

Scenario 5: A surviving spouse and an adult child make conflicting demands

Facts. A surviving spouse and an adult child make competing demands for the individual account of a decedent; neither presents any court documents.

Guidance. Neither demand gives the credit union authority to pay. Request an order of appointment, a certificate of qualification, or an order dispensing with administration. The credit union should not choose between the claimants or attempt to settle their disputes.

Scenario 6: A representative seeks funds and has and has an order dispensing with administration

Facts. A person presents an order dispensing with administration and requests transfer of a modest account.

Guidance. Read the order to confirm it identifies the specific account and directs payment to this person. Verify identity and retain a copy. The credit union may rely in good faith on a facially valid court order. Payment may be made as the order directs. Refer to counsel only if the order is ambiguous, does not name the account, or conflicts with other documents.

OPEN QUESTIONS AND AREAS REQUIRING CAUTION

Several portions of SB 50 will require judicial interpretation or further guidance:

- **Reach of the expanded surplus-personalty claim.** KRS 392.020(2) sweeps POD, TOD, beneficiary, retirement, and joint survivorship funds into surplus personalty subject to the rights of surviving spouses, and subsection (8) authorizes an action against recipients. There is no right of action against credit unions who honor existing account agreements or beneficiary obligations over claims to funds from surviving spouses. However, credit unions are likely to receive such claims from spouses and their legal counsel. Credit union counsel should monitor case law in this area to review judicial interpretation of the relevant statutes.

Until such time as a judicial decision obligates credit unions to act differently, credit unions should act in accordance with their account agreements and beneficiary designations.

- **Contractual payment protections and setoff.** The relationship between the enlarged property subject to spousal dower and curtesy claims and a credit union's setoff rights has not been tested. The most likely reading is that valid liens and setoff reduce "surplus" before the spousal claim attaches, and that credit union setoff rights remain unaffected, but this should be monitored as case law develops.
- **Privacy of sealed filings.** The confidentiality of inventories and settlements limits what a credit union can obtain and could complicate confirmation that an asset is subject to administration or existing estate claim procedures. Rely on public orders and, where necessary, ask counsel about an order authorizing release of sealed documents.
- **Vehicle transfer-on-death implementation.** The exact mechanics of the 2028 transfer on death procedure depend on Transportation Cabinet regulations not yet issued. Credit unions and their counsel should monitor the regulations and review them carefully when released.

Conclusion

Senate Bill 50 is a significant revision of Kentucky's law of descent, estate administration, and estate-planning documents. For credit unions, its practical message is narrow. SB 50 changes substantive estate rights and probate procedure, and it changes the appearance of the documents a credit union will receive, but it does not make a credit union responsible for calculating inheritance shares or for adjudicating disputes among surviving spouses, heirs, beneficiaries, and fiduciaries. A credit union that continues to act in reliance on its account agreements and court orders, that declines to identify heirs or compute spousal shares, that authenticates new electronic documents, and that escalates genuine disputes to counsel should remain well within the law.