

Escheatment:

Do You Have Unclaimed Property Sitting with the Government?

What is Escheatment?

Escheatment is a process whereby the government takes ownership of property, including financial assets, that has been deemed abandoned by the property's rightful owner. Escheatment of financial accounts typically occurs after a period of account-related dormancy (or "inactivity") and after attempts to identify and contact the account owners have failed. The dormancy period is determined by the type of property (e.g., payroll checks, insurance payouts, bank accounts, CDs, Health Savings Accounts as opposed to securities), and can vary from as little as one year to as long as 15 years. There is no uniform standard in the United States regarding the length of time required for an account to be escheatable. The definition of inactivity also varies by jurisdiction. Some jurisdictions require that an article of mail be returned to the broker or other custodian as undeliverable. Other jurisdictions deem an account escheatable if the owner has not contacted a broker or other custodian for a specified period of time.

Financial institutions are required to attempt to contact account owners before escheating property to the state. What qualifies as an "attempt" can be as varied as the definition of "inactivity." For example, some state authorities take out advertisements in newspapers to provide notice of escheatable property, notwithstanding that the owners of the property may not reside in the vicinity. If there is no valid address associated with an account, it can be escheated to the state of incorporation of the financial institution with custody of the account. (Some firms have taken advantage of this by offering to find unclaimed property for states in exchange for keeping a portion of any property escheated – effectively collecting a bounty for their work.)

Why is Escheatment a Concern?

When a state takes custody of abandoned property, the assets often are liquidated immediately upon escheatment. As escheatment has become easier, investors may be unaware of their responsibility to maintain activity in their accounts and may not realize when an account has become escheatable. This can lead to negative financial consequences. For example, depending on the type of account and the assets that were held, liquidation could trigger tax penalties for the account holder if he or she recovered the account after escheatment.

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Are You An Informed Investor?

How Can Investors Prevent Their Financial Accounts from Being Escheated?

Keep in Touch with Your Broker. The easiest way to avoid escheatment is to ensure you maintain accurate contact information (including telephone number and address) at your broker and periodically engage in some form of qualifying owner-generated activity in your accounts. Periodic owner-generated activity will forestall the start of any potential dormancy periods. Depending on your state's laws, qualifying owner-generated activity could include depositing or withdrawing funds, executing trades, contacting your broker, or logging into an online account. If you rely on contacts with your broker as evidence of your account activity, document and maintain records of your contacts, including any meetings, phone calls or emails. But merely receiving account statements generally will not constitute sufficient owner-generated activity. (You can review your jurisdiction's laws regarding qualifying owner-generated activity on your jurisdiction's government website.)

Vote Your Proxies. For brokerage accounts, you should receive a packet of information from any company of which you are a common shareholder on an annual basis. The packet includes information on issues for which you are entitled to vote as a shareholder. Most individual investors do not attend shareholder meetings, so the packet includes a proxy ballot (similar to absentee voting). Filling out the proxy vote form can be another way to keep your account "active."

Cash Any Dividend Checks. If your account includes dividend generating investments for which you receive dividend checks, be sure to cash the checks. Your account could be deemed inactive if a check remains uncashed and your broker is unable to contact you.

Keep Your Contact Information Up-to-Date. You should always open mail you receive from financial institutions with which you hold accounts. Even if mailings look generic, they could contain important notices about your account, including information about escheatment. If your financial institution sends mail to you that is returned to the institution as undeliverable, this will generally be treated as inactivity for which escheatment is the eventual outcome. The financial institution is required to attempt to notify you in writing that your account is about to be escheated, but if they do not have your correct mailing address, you may never receive notification.

In Case of Escheatment...

✓ If you are the rightful owner of an account that has been escheated or may have been escheated, you can take steps to recover the account. First, contact the last known custodian of the account to inquire about the current status of the account. If you are unable to identify the custodian, search for the unclaimed property or account through the multi-state search engine (www.missingmoney.com) managed by the National Association of Unclaimed Property Administrators (NAUPA).

If you determine that you are the rightful owner of an escheated account, contact your state's unclaimed property authority or an attorney for further advice. Contact information for state unclaimed property authorities is available on NAUPA's website, (www.unclaimed.org).

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