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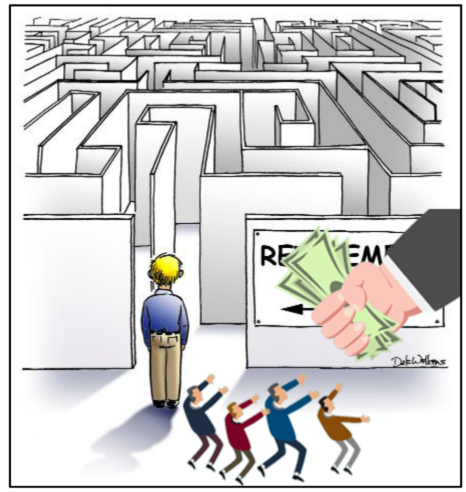
Claim your assets before your state does

Navigating the Retirement Maze



"A man with a briefcase can steal millions more than any man with a gun."
– Don Henley

There are tens of thousands of personal thefts that may take place over the next several years, and it's perfectly legal. What's really frightening is that it is state governments that are taking away people's assets. How is this possible? It is a combination of states becoming more aggressive in their definition of what constitutes abandoned property, combined with the fact that the time honored investment approach of "invest and forget about it" could, in some cases, be hazardous to your wealth.

State treasuries currently hold over $40 billion in unclaimed assets. In Massachusetts, this figure was $2 billion in 2012. California has over 28 million names of individuals whose property they have claimed. While it is relatively straightforward to reclaim assets labeled as abandoned, states make little or no effort to find and notify the owners of these assets. Nor do most companies that hold these assets, such as financial institutions. So it is up to the owners to locate and reclaim them.

This isn't a situation that is difficult to resolve, but you need to understand how states determine whether property is considered abandoned, as well as what you can do to ensure that none of your or your parents' assets become labeled as such. There is also an added bonus here, in that there are ways to find assets you might have forgotten about. I will show you how to reclaim them.

How states balance their budgets

Unlike the Federal government, which literally prints money to make up for budget shortfalls, states do not have that option. As states must balance their budget each year with decreasing support from Washington while also trying to narrow the gap between their pension obligations and funds, they have begun to look for creative ways in which to increase their revenues without raising the ire of the voting public. An easy source of funds is forgotten assets. This includes bank accounts, insurance policies, investment accounts, and most any tangible assets that appears to have been abandoned by their owners.

Any amount realized from the acquisition and sale of abandoned assets plus earnings on the cash are used as part of each state's general revenue funds. Most states hold the cash realized from the asset sales in perpetuity for the owner, but some have begun to set a finite time period after which the assets cannot be reclaimed.

Since the 2008 financial crisis, states have also become more aggressive in their definitions of what constitute abandoned assets. In about half the states, the time period in which an asset is considered to be abandoned has been reduced from seven years down to three. The standard for defining abandoned property has also been tightened. It used to be what is called "no delivery," meaning that mail from the last known address is returned. In recent years, eighteen states have adopted a standard called "no contact." This is where the owner has not made a verifiable contact with the institution holding the assets, and so they are classified as abandoned after the deadline for contact has expired.

Once an asset is classified as abandoned, it is turned over to the state of residence of the owner's last known address. If the address is unknown, then the state in which the company that holds the assets is incorporated gets to claim these assets.

Preventing legal "theft"

There is some hope on the horizon, though. Earlier this year, the Uniform Law Commission adopted a standard for mutual fund accounts where the definition of abandoned assets will be "no delivery" rather than "no contact." If you want to make sure that your financial accounts never approach this limitation, it is a relatively simple thing to do. At least once every three years, make a point to contact your financial institution. Just logging into your account does not constitute contact. You should call, email, send correspondence, or even just vote a proxy on any of your owned assets. All of these are recorded instances of contact, and will keep your accounts out of the hands of your state Treasurer.

Finding what was lost

Occasionally, we forget about an asset – a childhood savings account, a Upromise account, a PayPal balance, a fund opened up as a minor. Interested in finding out whether you or a family member fall into this category? Go to the Web site MissingMoney.com and enter your name, your state of residence, and then click Go. You will see a list of unclaimed assets along with the state in which they are held, the last known address of the owner, and in some cases the reporting institution (bank, company, etc.) and the range of the amount. Click on the ones that seem to match with current or past residences, and then click on "Yes I can claim" to be taken to the state claim inquiry form. (If you found a relative or friend's unclaimed assets, there is an "Email someone who can" option as well.)

Two other locations worth checking are "Treasury Hunt" (www.treasuryhunt.gov) for unclaimed savings bonds and bond payments, and the FDIC (www5.fdic.gov/funds/) for unclaimed deposits and dividends from closed banks.

My personal experience

As I prefer only recommending something which I would use myself, I decided to try out MissingMoney.com. It found two long since forgotten items – an uncashed rebate check and a balance in a PayPal account – that totaled $88. I requested forms to substantiate my claim, and once I had received them I filled them out, included the requested identity verification (photo of driver's license) and mailed them off to the state. I should receive a check in that amount some time in the next month or two.

Clearly, this is a process that works. So get over to your computer, and happy hunting!

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