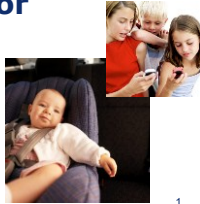


Montana Uniform Transfers to Minors Act (UTMA)

Custodial Accounts for Children Under 21 years of age

MontGuide
199910

Revised May 2012



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Montana Uniform Transfers to Minors Act

- Montana Code Annotated §72 – 26 – 501



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UTMA Custodial Account

- An alternative for a parent or other adult who wants to provide benefit of child under 21 years of age



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UTMA Custodial Account

- Make gifts of assets during life
- Bequests with a will
- Distributions from a trust



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Minor



- A person who has not reached the 21 years of age

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Transferor

- Person who gifts assets to a UTMA (custodial) account



Custodian

- Manages property that has been *irrevocably* transferred to UTMA (custodial) account for benefit of child who is under 21 years of age



What assets can be transferred to a UTMA (custodial) account?

- Money
- Securities
- Stocks & Bonds



Types of Assets

- Certificates of Deposit
- Savings Accounts
- Real Estate



Types of Assets

- Designate minor as beneficiary:
 - Life insurance proceeds
 - Pension or Profit Sharing Plans



Whom should I designate as custodian?



Custodian



- Transferor
- Another adult
- Trust company

Custodian Rules



- No joint custodianships are allowed

Alternate Custodian



- Substitute
- Successor

Duties of Custodian

1. Manages, registers or records title to UTMA custodial property



Duties of Custodian

2. Collects, holds, manages, invests, & reinvests custodial property



Duties of Custodian

3. Observes the standard of care that would be used by a
 - "prudent person"



Duties of Custodian

4. Identify and keep custodial property separate from other property

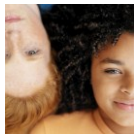


Duties of Custodian

5. Not allowed to pledge the account as collateral for any loans to him/herself



Where can UTMA custodial accounts be established?



Establish accounts

- Bank
- Savings Bank
- Credit Union
- Mutual Fund Company
- Brokerage Firm

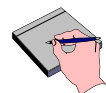


What is the wording used on a UTMA (custodial) account?

Montana Code Annotated
§ 72 – 26 – 603



Wording



- “As custodian for (*name of minor*) under the Montana Uniform Transfers to Minors Act”...
 - Example p.2 of MontGuide
 - Financial institution may have own forms

What happens to custodial assets when child reaches 21 years of age?



Custodian Responsibilities

- **Close UTMA account**
- **Transfer assets to child**



What is the tax effect of a UTMA account?



UTMA account

- **Custodianship is not considered a separate taxpayer**



Taxable to child

- **Unearned income**
- **Interest from CD**
- **Dividends from stock**



Kiddie Tax Under 14

- **Unearned income up to \$1,900**
- **First \$950 taxed at kids' zero bracket**
- **Next \$950 10% rate**



Kiddie Tax



- **Unearned income more than \$1,900**
 - Taxed to child at parent's bracket as long as child under age 14

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Child--age 14

- **Tax based on child's income tax bracket**



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What if I need money I transferred to the UTMA (custodial) account?



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"Tuff" luck

- **Decision is irrevocable**
- **Funds can't be taken back by transferor**
 - Not even for college expenses



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What happens to assets in UTMA (custodial) account if a child passes away before reaching 21 years?



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Distributed by Montana Intestacy Statutes to child's heirs

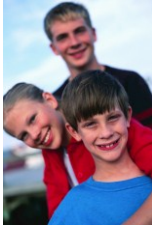
- **If not married & no children**
- **Parents equally**



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Distributed by Montana law

- If parents are deceased
 - Brothers
 - Sisters



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Distributed by Montana law

- If any siblings are deceased, then to their descendants
 - ❖ Nieces
 - ❖ Nephews



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POD and TOD Designations

- Cannot be used on UTMA (custodial) accounts



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Court may remove Custodian

- Not properly fulfilling custodial duties



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Eligibility for College Financial Aid

- UTMA (custodial) accounts are counted as a student's assets
 - Income reported on Social Security number of the child



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Other Alternatives

- Section 529 College Savings Plan
- Coverdell Education Savings Account

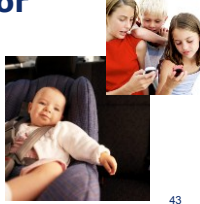


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