

Unclaimed Property - A Government Scam?

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Unclaimed property is turned over to state governments, but what do they do with it?

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Every state has an unclaimed property department of some sort. This is where uncashed checks, forgotten bank accounts and other "abandoned" monies go. The idea is simple enough; if money or other things of value are not claimed, they are turned over to the state government for protection. The government then is supposed to make an attempt to find the rightful owner and return the property to that person (or their heirs).

{bot_wrgoogle}It seems, however, that governments don't try very hard to find the owners. Some quick research online, for example, showed me that Oklahoma's unclaimed property program has been around for more than 30 years, collected more than \$140 million in unclaimed property and paid out only \$45 million, leaving around \$95 million (plus interest) for the state to spend. Yes you read that last part correctly. They get to spend the excess.

This is why many states are hiring auditors to check the records of insurance companies, banks and other organizations. In fact, some are even paying the auditors a percentage of the monies collected in order to boost collections. This has become a new revenue source in times of declining tax revenue.

Of course, they're supposed to make an attempt to return the money or valuables, so what do they do to find the owners? Some publish a notice in a newspaper, and most now have a list of assets and names of owners online. I personally know of a case where a woman searched the records online and found an insurance refund of almost a thousand dollars that had "escheated" (the technical term) to the state. She only got her money because someone saw her name on the online records of which she was unaware.

This woman was still living in the same state as when she had the old account, and a quick internet search would have yielded a phone number. She was never called, of course. It seems that most states do nothing more than post online the name on the account that was turned over, along with the amount. Why would they do more, since most state laws allow them to spend the money that is not claimed?

Unclaimed Doesn't Mean What You Think

Before you start thinking this whole topic is irrelevant to you, we need to ask what the definition of unclaimed is. Do you have a bank account somewhere that you haven't used for a couple years? They may be taking it soon. Did you check to see if you had a refund due on your mortgage insurance after paying the loan off early? They tend not to tell you, and eventually that too goes to the state.

What else? Stock accounts, utility company refunds and returned dividend checks can all escheat to the state after some time. In fact, some states will even take the contents of safe deposit boxes if you have not accessed them in a while. This is because of state statutes that define this as a "presumption of abandonment."

As I write this, I have an old savings account at a credit union in another state that has not been active for at least three years. It has just a hundred dollars or so in it, left there so I can keep the great credit card that this credit union offers to members. Since this may be considered "abandonment" (a rule of three-to-five years is common), I should probably send a dollar in for deposit.

The rules are different in each state, but if you want to keep the states hands off your money, here are some tips:

- If you have any accounts that give you online access, login at least once a year.

- For bank accounts, make a deposit or withdrawal (any amount) at least once per year.

- Don't keep uncashed checks around; deposit them or cash them.
- Keep a list of all accounts, including banks, insurance policies, utility deposits, brokerage accounts, and retirement accounts. Let someone you trust know where the list is, so in case of your death, those you love (and not the state) will be able to get at your assets.
- Visit safe deposit boxes once a year minimum.
- Make sure every account holder gets your new address when you move.

According to a recent article from ING Bank, as of May 2008, the fifty states in the United States are holding more than \$32 billion worth of unclaimed property. They are quickly working to collect more, and paying as much as a 15% bounty to auditors who find "abandoned" valuables. Given the minimal effort to locate the rightful owners, it seems that a law intended to protect consumers is helping governments take advantage of them instead.

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