

**UNIFORM GIFTS TO MINORS
A/K/A
“CUSTODIAL ACCOUNTS”**

NYS LAW-1956

1. **MINOR’S** Social Security Number
 - a. Minor pays taxes on dividends
 - b. Minor must be a member of the credit union
 - c. Up to \$10,000.00 may be deposited per grantor without requiring a gift tax

2. **IRREVOCABLE**
 - d. Trustee may use funds only for the benefit of the minor
 - e. Minor may not touch funds during life of trust

3. **TERMS**
 - f. Only one trustee (custodian), only one beneficiary
 - g. Trustee must:
 - i. Be a blood relation to beneficiary
 - ii. Maintain records
 - iii. Invest prudently
 - iv. Make discretionary payments to minor in some cases
 - h. Age of majority is 18 unless form is amended

4. **TAX REFORM ACT OF 1986**
 - i. The first \$1,000.00 worth of income earned from new and existing accounts belonging to a child under age 14 will be taxed at the child’s tax rate.
 - j. Any earned income above that will be taxed at the parent’s highest rate.

5. **FORMS-UGTM** Form Below

UNIFORM GIFT TO MINORS ACT

Credit Unions in New York State are allowed under the Uniform Gifts to Minors Act to act as depositories for gifts by adults to children of shares, deposits or securities. Under this Act, only one minor may be named and only one person may be the custodian.

The advantage of this type of gift is that interest earned on such deposits would be taxable to an adult, but to a child with no income this earned interest would be either tax-free or taxed lower, depending on the amount of earned interest.

The Act also provides a considerable amount of flexibility permitting the custodial property to be used for the benefit of the minor anytime the custodian deems suitable and proper.

As far as responsibility to these accounts, Section 6 of the 1956 Act provides that no "issuer...or other person" dealing with the custodian is responsible for determining:

1. Whether transfers to or by the custodian are authorized by the Act.
- OR
2. Whether money delivered to the custodian is properly applied for the benefit of the minor

Although the method of making a gift is simple, the effect of the gift is absolutely binding, and the custodian (whether parent or third party) undertakes a number of substantial obligations, including the following:

1. Maintenance of records of "all transactions with respect to the custodial property" (passbooks or share account records should suffice).
2. Prudent reinvestment of custodial property (except that this obligation does not apply to the original shares or other property, although it would apparently apply to income there on).
3. Discretionary payments to the minor as the custodian "deems suitable and proper."
4. Possible nondiscretionary payment or accounting to the minor pursuant to court order.
5. Non-discretionary payment to the minor at age 18.

Moreover, there is no legal way in which a parent or donor can retrieve the property for his/her own use.

From a tax point of view, up to \$10,000.00 may be deposited into a Custodial Account without requiring a gift tax return.

In order to open a custodial Account (UGTMA) at this credit union, the adult should complete and sign a signature card, and (optional) a Designation of Successor Custodian Agreement.

CUSTODIAN'S ACCOUNT

Social Security Number of Minor _____ Custodian Share Account Number _____

I hereby apply for a custodian account in the Academic Federal Credit Union in the name of:

(Name of Custodian- One Only)

As custodian for _____ (Name of Minor- one only) _____ (Date of Birth)

Under the New York Uniform Gifts to Minors Act.

I hereby acknowledge receipt of Account No. _____ in my name as Custodian for said minor under the New York Uniform Gifts to Minors Act and I understand and agree that I am bound thereby. The credit union is hereby authorized to act without further inquiry in accordance with writings bearing my signature, as shown below, according to the provisions of said statute.

The credit union is authorized to supply any endorsement for me on any check or other instrument tendered for this account and is hereby relieved of any liability on connection with the collection of such items which are handled by it, and shall not be liable for the acts of its agents, subagents or others, for any casualty.

This account shall remain a custodial account until the minor achieves the age of eighteen.

Signature of Custodian

Custodian's Address: _____

Minor's Address: _____

Designation of Successor Custodian (optional)
In the event of my resignation, death or legal incapacity, I designate _____ as successor custodian, such appointment to take effect upon the occurrence of such event.

Date: _____

Custodian

Witness other than successor custodian

