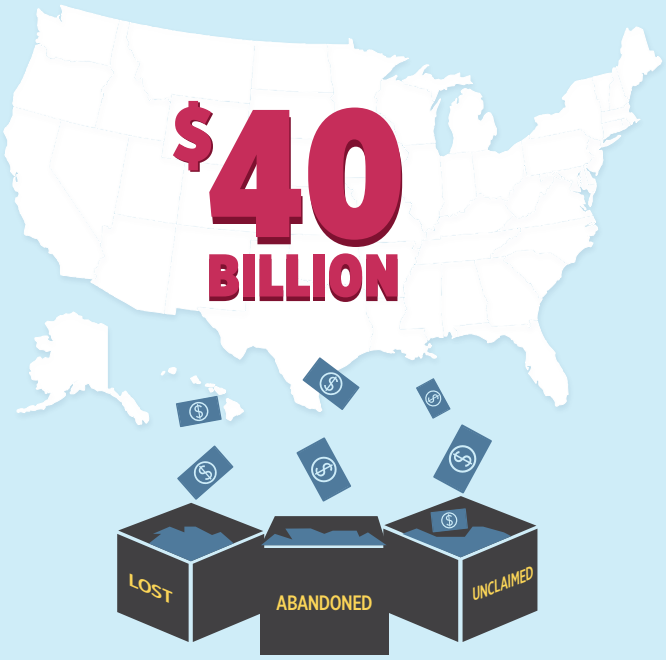
# Could millions of Americans "lose" their mutual fund accounts?

## *Rhode Island state laws say yes.*

Unless the more than 90 million Americans who own mutual funds make regular contact with their financial advisers or financial institutions (including their mutual fund companies or banks), state governments could deem their accounts abandoned and take control of them. Why? States are using increasingly aggressive tactics to claim individuals' property, including financial accounts, to shore up state budget shortfalls.




It's estimated that more than **$41 billion** has been claimed by the states, including so-called lost mutual fund accounts that are waiting to be returned to their rightful owners. That figure includes **$17 million** that has been claimed by the state of **Rhode Island**.

Source: National Association of Unclaimed Property Administrators

## How is this possible?

Mutual funds communicate with their shareholders regularly via first-class mail. If that mail is returned as undeliverable, federal law requires the mutual fund to search for the account owner. If the fund cannot find the owner, after a period of time state "escheatment" laws require that the account be turned over to the state where the owner received their mail. States have recently revised their laws to make it easier to deem accounts "lost" or "abandoned" (for example, if the shareholder doesn't make proactive contact with his or her fund every three years), allowing them to claim the proceeds sooner. Once a state claims an account, it typically liquidates it and uses the proceeds to shore up budget gaps. Account owners can reclaim their mutual fund accounts, but most are unaware this issue exists and lose the opportunity of account growth over time. Moreover, they may owe penalties or taxes to the IRS when they claim the account.

## What can Rhode Islanders do to protect themselves?

This issue can affect *anyone* with a financial account. Tami Salmon, a mutual fund expert and attorney at the Investment Company Institute, says you should take the following steps to protect yourself:

- Visit **www.protectyourfinances.org** to search the records of Rhode Island, as well as any other states you have lived in, to determine if anyone is holding your financial assets. Due to the way these laws work, you should also check for property in the states of Delaware, Maryland, and Massachusetts, even if you have never lived there. Check for property not only in your name but in the name of your parents, children, and other relatives, to see if they've lost any property to a state.
- Contact your financial institutions, including your financial adviser or mutual fund companies, at least once every three years—even if you have no particular reason to do so. This is important because automated account features (such as regular ongoing purchases or redemptions or the reinvestment of dividends) *do not* necessarily count as contact.
- Make sure that each financial institution you have an account with has your current home mailing address.
- Open and review all mail you receive from your financial institutions, and pay attention to any notice that asks you to contact the institution.
- Cash any check you receive from your account, no matter how small.
- Vote any proxy sent to you.
- Consider keeping a list of all your financial accounts, with the names of the institutions and account numbers, so family members can access them if you unexpectedly die or become disabled.

**Contact your financial institutions** every year. Choose an easy-to-remember date.

**Update your address** to make sure your financial institutions have your most recent home address.

**Open and review all mail** you receive from your financial institutions.