

**EquiTrust Life Insurance Company®**  
**Guidelines for UGMA/UTMA Custodial Accounts**  
**(Uniform Gift to Minors Act/Uniform Transfers to Minors Act)**

**EquiTrust Life and their representatives are not tax advisors and clients are urged to consult a tax advisor concerning their individual circumstances.** The following is a synopsis of EquiTrust Life's guidelines regarding UGMA/UTMA contracts.

A fixed annuity contract may be established for a minor under the Uniform Gift to Minors Act (UGMA) or the Uniform Transfers to Minors Act (UTMA). The establishment of an UGMA/UTMA contract allows someone to make gifts to a minor without setting up a trust. The transfers made to a contract of this type are considered an irrevocable gift to the minor.

Eligibility Requirements:

- A contract may be established for any child under the age of majority. The age of majority is usually 18 or 21, but in some states is age 25.
- An adult is appointed as custodian to manage the contract for the benefit of the minor until the child reaches the age of majority as defined by state laws. Upon reaching the age of majority, the child gains control of the contract. The custodian of the contract must act prudently when managing the contract and/or proceeds of the contract. Someone other than the donor should be named as custodian to avoid the contract being included in the donor's gross estate for taxation purposes.
- No income restrictions exist.
- Anyone may make a contribution to the contract.
- No contribution limits exist (outside of the product's specific limits).
- Under the annual federal gift-tax exclusion, each donor may generally make gifts of **\$13,000** per year, per child without federal gift-tax consequences. Annual contributions to an UGMA/UTMA contract must be made in the calendar year.
- The child must be named as the annuitant. The estate of the minor is named as the beneficiary.

Tax Considerations:

- All earnings are reported to the IRS under the child's social security number.
- **Children under the age of 19 must pay income tax on their unearned income above a certain amount at their parent's income tax rate. (Full-time students under the age of 24 also are subject to this rule.) In 2009, amounts over \$1,900 are subject to this rule.**
- There are no special taxation rules for UGMA/UTMA contracts – these rules are applicable to minors for earned and unearned income.

Other Considerations:

- The contract may be included in the child's assets when determining financial aid eligibility.
- When the minor reaches the age of majority (usually 18 or 21, but 25 in some states), the child gains control of the contract.
- Once the child gains control of the contract, the money in the contract can be used for any purpose and the child is not limited in using the money. The money is not required to be used for educational purposes – regardless of the wishes of the donor.
- The custodian is allowed to withdraw funds according to the terms of the contract, but the funds must be used for the benefit of the minor.