

FAQ

Custodial Investments

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What is a Custodial Investment?

A Custodial Investment is an investment that is owned by a minor child, with an adult (typically a grandparent, parent or guardian) as the custodian of the investment. Our Custodial Investments are issued under the Colorado Uniform Transfers to Minors Act (UTMA). The UTMA allows for real or personal property to be transferred to a custodian for the benefit of a minor. The investment belongs to the minor but is managed by the custodian, until the minor reaches the age of termination, which is 21 pursuant to the Colorado UTMA.

When would the Minor have access to the funds?

Per the Colorado UTMA, the custodian will be required to transfer ownership of the investment to the minor when he/she reaches the age of 21.

What if the Minor needs the funds before they turn 21?

Under the Colorado UTMA, the custodian may request funds out of the investment to deliver or pay to the minor.

I have another child for which I would like to have Custodial Investment. Can I take funds out of one Custodial Investment and put them in another Custodial Investment for a different child?

No. The Colorado UTMA requires that a transfer be made for one minor with one custodian.

How can I control what the Minor uses the funds for?

Until the minor reaches the age of 21, the minor cannot directly access the investment funds. The custodian will be the individual making all investment transactions. However, once the minor turns 21, the custodian is required to turn the investment over to the sole ownership of the minor.

What happens if the custodian passes away? Who will manage the investment if the Minor is not yet 21?

The Solomon Foundation offers a place on our Purchase Application to indicate a Successor Custodian. This would be the person the original custodian would want to manage the funds in the event of his or her passing. The Successor Custodian would have no access to the investment prior to that time.

I have not named a Successor Custodian, or I did, but now I need to change it. Can I do that?

Yes! You may designate a new Successor Custodian or change or revoke an existing Successor Custodian at any time. Please contact The Solomon Foundation for assistance with this.

I placed an investment in the name of a minor. Can I take this back?

No. Once investment funds are placed under the name of the minor, that action is irrevocable, meaning the custodian or anyone else cannot reclaim the funds for their own use.

What happens if the Minor passes away before reaching the age of 21?

Under the Colorado UTMA, the investment would pass to the minor's heirs according to his or her estate plan or would go through the probate process, which would differ depending on where the minor lived when he or she passed. Please consult your estate planning professionals for advice regarding estate planning matters.

Do I have to pay taxes on the Custodial Investment?

Because the funds placed in the Custodial Investment are already taxed, those funds will not be taxed when they are taken out of the investment. However, the interest earned on the investment could be taxable, depending on the minor's income. Please consult your tax advisor.