

LOST AND FOUND: CLAIMING BEHAVIOR IN ABANDONED RETIREMENT ACCOUNTS

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This paper uses newly collected data from state unclaimed property databases to analyze the claiming patterns in retirement accounts once they are sent to the state. These data allow us to explore predictors of claiming, such as account value and claiming systems. The paper also presents results from a primary survey among Wisconsin state employees on rollover beliefs and retirement consolidation topics.

Claiming Behavior in Abandoned Retirement Accounts

Many tax-advantaged retirement accounts require individuals to start taking distributions by a certain age (typically 70.5), yet some individuals fail to do so. When this occurs, the unclaimed accounts are often handed over to the state as unclaimed property. Given policy interest in assessing the savings adequacy of older households in the United States, increasing the claim rate of these accounts is a policy priority in order to allow individuals to fully access their own resources. There are an estimated 70,000 unclaimed retirement accounts with balances less than \$1000, accounts that collectively value a total of \$38 million. Once these accounts are transferred to the state as unclaimed property, it is helpful –understand patterns, to know whether (and for how long) they remain unclaimed.

This paper finds significant variation according to state procedures: in Massachusetts, where owners must initiate claims, only 3.4% of unclaimed retirement accounts reported in 2016 were “reclaimed” within two years; in Wisconsin, where the state automatically matches unclaimed funds with owners using Social Security matches, a striking 67% of funds were reclaimed in that same time period. We augment these results with primary data collection from a survey fielded to retirement account holders in Wisconsin to ascertain potential underlying reasons for unclaimed accounts and subsequent reclaiming behavior. This study finds that a failure to consolidate accounts — an action that could prevent them from becoming unclaimed — arises in part due to plan defaults and rollover difficulties.

Many abandoned retirement accounts stay unclaimed 10 years later

We find that over 80% of funds remain unclaimed after 10 years in Massachusetts, meaning that many accounts that end up in unclaimed property are “permanently” lost. This pattern suggests that greater focus on ways to help reunite account owners with their funds would be helpful.

Implications

- *Tools to help people remember, rollover, and consolidate retirement accounts may be valuable.*
- *Many retirement accounts are at risk of being forgotten, and keeping the money with the state is not a surefire way to reunite account holders with these lost funds.*
- *More states might consider following “The Wisconsin Model” in terms of automatically sending checks for unclaimed property to individuals based on a Social Security Number match.*
- *Greater knowledge of rollover rules may help people consolidate retirement accounts.*