Security Matters

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Unclaimed Retirement Accounts

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Summary

Saving for retirement is important for financial security in later life, yet billions of dollars in retirement accounts go unclaimed each year. These abandoned retirement accounts could be from forgotten jobs in their youth or just prove too difficult to access and roll-over. This study seeks to understand the features of these accounts. It provides a first estimate of the extent of unclaimed retirement savings and examines how policy and regulation impact claiming of abandoned accounts.

Personal retirement savings form a critical source of late-life income among Americans. These savings accounts, which are typically linked to an employer, are increasingly spread across multiple accounts as Americans move between multiple jobs over their life. Such job mobility makes it more difficult to both remember and manage these accounts, thereby putting them at risk of going unclaimed.

Many policy initiatives have been proposed to recover lost savings in unclaimed accounts, including default rollover of retirement funds over one's career or a national database of retirement funds. Eliminating lost savings due to unclaimed accounts is particularly important in light of the fact that Americans are living longer, often delaying Social Security benefits, and will need to rely more heavily on personal retirement savings.

Key Findings

- At least 3% of retirees have an unclaimed retirement account with an estimated average value of at least $550.
- In 2016, there were about 70,000 unclaimed retirement accounts totaling $38 million.
- Policies that help people remember and manage their employer-based retirement accounts can have a big impact, based on this analysis.

Practitioner Ideas

Tracking retirement accounts – no matter how small the savings – from one job to the next or across multiple jobs is an important step in managing personal finances. No one wants to leave money on the table, especially around something as important as financial stability later in life when you're no longer working. When assisting clients to keep track of their retirement, consider these steps and resources:

- **Missing Money**: Encourage clients to look for themselves – and their loved ones – under State's unclaimed property at https://www.missingmoney.com/en/. You may need to look up a name under several states if a person has moved around. Check at least once a year.
- **Job History**: Encourage clients to make a list of their employers (and contact former employers when needed), contracted work, and self-employment. Having a history of income, dates, and businesses

contact information is useful for keeping track of records for retirement savings, as well as reported social security earnings, taxes, and resume writing. If they are not sure where they worked and when, they can:

  - Order previous tax transcripts from the IRS for the past 10 years: https://www.irs.gov/individuals/tax-return-transcript-types-and-ways-to-order-them.
  - Request a detailed earnings information from the Social Security Administration https://www.ssa.gov/forms/ssa-7050.pdf, but note there is a fee.

- **Managing Accounts**: If your client discovers a retirement fund at a previous workplace, provide information about the options, benefits, and consequences for handling the account:
  - Some accounts, such as a pension or defined benefit plan, have to stay in their existing retirement plan until a person becomes eligible to claim the money in retirement. Other accounts, like a 401(K), usually have the option of leaving the account with the previous employer, transferring the account to a new employer, or rolling your money over into your own individual retirement account (IRA).
  - If retirement money needs to stay with a former employer, come up with a plan to update the employer or account holder when you change addresses. Be sure to update any future changes to your marital status or beneficiaries also.
  - Take caution in transferring the money to a new employer or their own retirement account. It is best to have the money transferred between fund managers. Clients should not accept a check themselves because they could owe taxes or have penalties if they have held onto retirement funds for too long.
  - If a client discovers a forgotten retirement savings account, it can be tempting to cash out the account right away to cover current financial challenges. Help clients understand the tax consequences and penalties that might occur if they cash out their retirement account, especially if they are under age 59½. In addition, cashing out means your client will have less money for their later years.

Key Resources

My Social Security (online account set-up)
Social Security Administration: https://www.ssa.gov/myaccount/what.html

Tax Information for Retirement Plans
Internal Revenue Service: https://www.irs.gov/retirement-plans

What You Should Know About Your Retirement Plan
Employee Benefits Security Administration: https://www.dol.gov/agencies/ebsa

Changing Jobs and Job Loss
Employee Benefits Security Administration: https://www.dol.gov/agencies/ebsa/workers-and-families/changing-jobs-and-job-loss

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