



EdFed

Federal Lender Code 834241

America's Top Student Loan Consolidator

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Free Money?

Let's turn now to some quick sources of cash that you may not know about. First of all, do you know that 26 million Americans are currently the legal and rightful owners of unclaimed property in this country – to the tune of \$100 billion or more?

Well, by various estimates, \$100 billion is held by state governments alone. New York state, for example, is holding about \$6 billion worth of unclaimed money. The federal government also has many, many billions of dollars in unclaimed assets that it's holding onto – all just waiting to be claimed. The IRS has, in the most recent tax year, about \$75 million dollars worth of un-cashed tax refund checks. Checks just came back, people moved, and nobody is clamoring to get their tax refunds. It is amazing to me. Other federal agencies also are holding money – FBIC, HUD, the Pension Benefit Guarantee Corp., the Treasury Department – along with individual banks, insurance companies, and other business institutions.

Now some of you might be asking: What is this unclaimed money? Where is this coming from? Well, here are some of the types of unclaimed money that are out there. Credit balances are one source. Let's say, for example, you had a credit card that you ever overpaid on. Ultimately the credit card company is supposed to send you that additional payment back.

It may take a while, but they will eventually get around to it. But what happens if you move in the meantime, or what happens if you really overpay because, say, you thought you would pay that \$300 bill, and your spouse or significant other thought he would pay it, and you both wound up paying \$300? The result would be a credit to your account of \$300, and this is one of the ways in which unclaimed money initially gets generated.

At this point, some of you might be wondering, "How could anyone 'forget' about money that was owed to them?" Well, a couple of things could happen to cause all these sources of money to turn into unclaimed or abandoned funds.

First of all, you need to know there is a three- to five-year rule that applies to most of these funds. In essence, all the types of unclaimed property are guided by time limits. If a bank or some entity has something that they know is rightfully yours and if they have not been able to connect with you and give you the refund or the insurance policy that you're due from an inheritance or whatever, after three years in most states (up to five in others) the company is required by law to turn the money over to state authorities. Then it becomes the state's responsibility.

The state takes on the role of trying to reconnect you with that money. But then a second thing occurs that causes money to go unclaimed: somebody moves, someone changes his or her name (either through marriage or divorce), or somebody dies. In the latter case, money and property can easily go unclaimed when relatives simply don't know about the existence of a deceased person's assets and accounts.

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This is a huge issue in the insurance sector because insurance policies are the single biggest area of unclaimed property. I've seen statistics suggesting that as many as 20 percent of all insurance policies go unpaid. One out of five policies! That's a huge amount of unclaimed funds.

In the insurance industry there is a thing called demutualization. Basically, what this means is that an insurance company has gone through a reorganization. A mutual insurance company has now become a publicly owned company. What happens in those instances is that that process of demutualization generates income because stock or cash is supposed to be paid out to policyholders. Even if the deal involves only stock, even that stock holding can mean dividend payments that are due to be paid out. So if you are a policyholder with a company that has gone through a demutualization or you are a beneficiary of an insurance policy with an insurer that has gone through demutualization, you may be owed money. In the past 20 years, numerous well-known companies have gone through demutualization, at least 20 really big companies as a matter of fact. Some of them include John Hancock Financial Services, Prudential, MetLife, and Manulife, to name but a few. So if you have an insurance policy with any of these companies, I would suggest you check it out, and try to find out whether or not money is due to you.