Pennsylvania Uniform Transfers to Minors Act – An Important Asset Transfer Tool

The Pennsylvania Uniform Transfers to Minors Act (the "Act") permits a person or his legal representative to transfer any type of asset for the benefit of a minor child and designate a "Custodian" of the asset. The Custodian will be responsible for preserving the asset for the minor until she reaches legal age as defined by the Act. Assets can be anything of value including, money, securities, real estate, personal property or the right to receive money in the future, such as life insurance or other death benefits. In Pennsylvania minors are generally considered to be persons under the age of 18 but under the Act, the term includes persons under the age of 21. This is one of the most important benefits of the Act which will be explained later. The Act permits certain adult individuals or trust companies to be named as Custodians. The term "trust company" is defined to include a financial institution, corporation or other legal entity authorized to exercise general trust powers. The Act applies if the person transferring the asset, the minor or the Custodian is a resident of Pennsylvania or the asset is located in Pennsylvania at the time of the transfer. A transfer of assets can be made by a gift, will or trust. A transfer can also be made the exercise of a power of appointment which, due to its complexity, will not be covered here.

Proper documentation of a transfer is very important. The Act requires that the asset be registered "(name of custodian) as custodian for (name of minor) under the Pennsylvania Uniform Transfer to Minors Act." In situations where a legal representative is making the transfer, it is important for a proper receipt from the Custodian to be obtained.

The most common reason people elect to delay allowing an 18 year old to receive a substantial sum of money is concern about the minor's lack of maturity and experience in handling money. The Act is a very useful tool to transfer assets of relatively small to average value to minors and those just reaching adulthood. Under the Act the asset, once in the hands of the Custodian, is transferred by the Custodian directly to the recipient when she reaches age 21.

An important exception to the age 21 rule is allowed for assets being transferred by will, trust or life insurance beneficiary designation. In those instances, the transfer may be delayed until the recipient reaches a designated age beyond 21, but not later than age 25. There is no provision in the Act for including detailed distribution plans to the recipient, as a trust might contain. For assets with greater value ($50,000 might be a useful reference point), a person considering such a transfer should seriously consider establishing a trust because trusts and their trustees are regulated by the Pennsylvania Uniform Trust Act which provides more detailed rules for administration and reporting. Trusts should also be considered for real estate due to the complexity of managing it. Another reason for considering a trust for higher valued assets is that trust administration costs could be higher but the Settlor (the person creating the trust) can control those costs to some degree through the terms of the trust instrument. Custodianships under the Act have no provision for detailed administration or cost control directions.

The Act is most useful for those who want to delay putting money into the hands of a minor or young adult and are comfortable with a simple, lump-sum distribution plan. There are a number of rules governing these transfers so it is recommended that you consult with an attorney to be sure of compliance with the Act.

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