

Support for Custodial Accounts in myICLUB Investment Clubs

MYICLUB.COM INVESTMENT CLUB WEBINARS



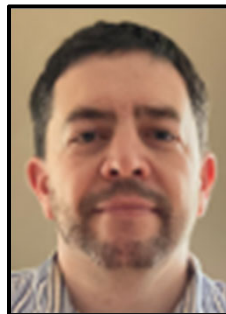
Presented by myICLUB Team
July 2025

1

Your Hosts



Russell Malley
Club Accounting Advisor,
ICLUBcentral Inc.



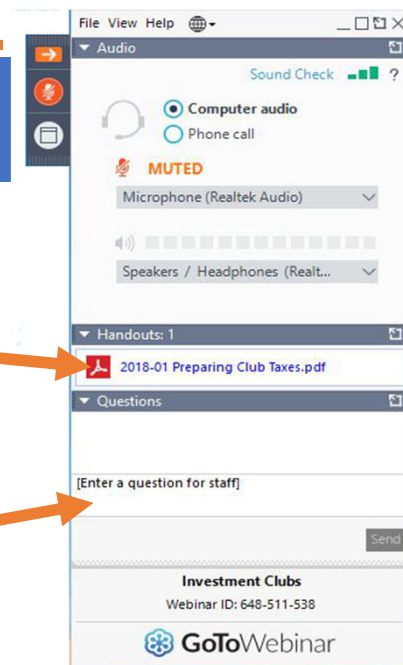
Sean Pulrang
Senior Support
Representative,
ICLUBcentral Inc.

2

Handout & Questions

Handout in PDF
format is available
in Handouts tab.

Type questions in
Questions box.



Disclaimer



- Neither my/CLUB, ICLUBcentral nor BetterInvesting provide personalized investment, tax, or legal advice to individuals or investment clubs.
- You are responsible for following all Federal, state, & local regulations regarding all operations & tax reporting of your investment club.

Support for Custodial Accounts in myICLUB

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Can Minors Invest in Securities?



- Financial institutions **often do not allow minors** to directly open accounts or trade securities.
- However, introducing children to saving & investing skills can have **lifelong benefits**.
- **Custodial accounts** are solution, allowing investments for benefit of minor but overseen by guardian.

6

What Are Custodial Accounts?



- Financial accounts established for **benefit of beneficiary** (typically minor).
- Administered by **custodian/guardian**.
- Custodian/guardian has **fiduciary duty**.
- Multiple types available, depending on state.

7

Who Can Be Custodian?



- Custodian **does not** have to be parent (though probably most common).
- Could be grandparent or other relative, or any other individual.
- Donor has ability to **set custodian**, or can **contribute to existing custodial account**.

8

2 Types of Custodial Accounts



- Depending on club's official state, one of following are allowed:
 1. **Uniform Gift to Minors Act (UGMA).**
 - Available in all 50 states.
 2. **Uniform Transfer to Minors Act (UTMA).**
 - Available in all states, *except* South Carolina & Vermont.

9

Basics of UGMA & UTMA



- Minor is legal owner **but** restricted from full control until they reach age of majority.
- Assets in account contributed by others are considered **irrevocable** gifts to minor.
- Assets are managed/controlled by custodian, but uses are **restricted** by law & can only be used for **child's benefit**.
- Taxes are paid at (**typically lower**) minor's rate (with limitations).
- Specifics vary by state law.

10

Compare UGMA & UTMA



UGMA

- 1st version to pass.
- Restricts investments to life insurance, cash, CDs.
- Control reverts at 18.
- Considered minor's assets for college financial aid needs.
- Available in all 50 states.
- Details vary by state.

UTMA

- Updated & expanded from UGMA.
- More assets available: mutual funds, stocks, bonds, real estate, artwork.
- Control may be delayed to 21 or later.
- Considered minor's assets for college financial aid needs.
- Available in all states, except SC & VT.
- Details vary by state.

11

Annual Gift Limits & Gift Taxes



- **No limit** to amount you can put into UGMA/UTMA.
- However, **gift taxes** may come into play:
 - As of January 1, 2025, individual may make gifts up to \$19,000 annually to any recipient before gift taxes are triggered.
 - Married couples who elect to gift-split may annually gift combined \$38,000 per recipient.

12

Creating a Custodial Account



- Process varies slightly by state but “**Uniform**” laws tend to be **similar**.
- Account does **not** need to be created in minor’s state of residence.

13

Sample Document: California



TRANSFER UNDER THE CALIFORNIA UNIFORM TRANSFERS TO MINORS ACT

I, (Name of Transferor or Name and Representative Capacity if a Fiduciary) hereby transfer to (Name of Custodian), as custodian for (Name of Minor) under the California Uniform Transfers to Minors Act, the following: (description of the custodial property sufficient to identify it).

Dated: (Date)

(Signature)

(Name of Custodian) acknowledges receipt of the property described above as custodian for the minor named above under the California Uniform Transfers to Minors Act.

Dated: (Date)

(Signature)

14

Sample Document: Massachusetts



TRANSFER UNDER THE MASSACHUSETTS UNIFORM TRANSFERS TO MINORS ACT

I, (Name of Transferor or Name and Representative Capacity if a Fiduciary) hereby transfer to (Name of Custodian), as custodian for (Name of Minor) under the Massachusetts Uniform Transfers to Minors Act, the following: (description of the custodial property sufficient to identify it).

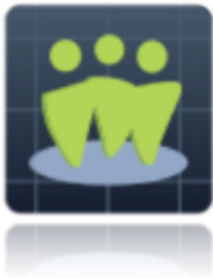
Dated: (Date)
(Signature)

(Name of Custodian) acknowledges receipt of the property described above as custodian for the minor named above under the California Uniform Transfers to Minors Act.

Dated: (Date)
(Signature)

For your state an internet search for “[State name] UTMA account” should find an appropriate sample. UGMA & UTMA law is often part of estate or probate law.

15



CUSTODIAL ACCOUNTS IN INVESTMENT CLUBS

16

Family & Student Investment Clubs



- Many clubs are established across generations for benefit of **family members**.
- **Student clubs** allow for hands-on investment education.
- Any minors in these should be set up as **custodial accounts**.

17

Enable Custodial Accounts



- Any club that wishes to allow custodial accounts should **state in partnership agreement**.
- There are **no further regulatory reporting requirements** beyond any that apply to other investment clubs.
- **Legal risks** could come from custodian misusing funds or club not allowing transfer of account once minor reaches age of majority (among others).
- Follow laws in your state & should be fine.

18

Club Operations Issues



- Club should set **guidelines** for participation of minors.
- Minor can participate in club activities to any extent club desires.
 - Be aware of possible SEC issues regarding “inactive” members.
- Technically, custodian **votes on behalf of minor** or “**oversees**” minor’s votes.
- Club should respect responsibilities of custodian.

19



CUSTODIAL ACCOUNT SUPPORT IN MYICLUB.COM

20

Support for Custodial Accounts in myICLUB



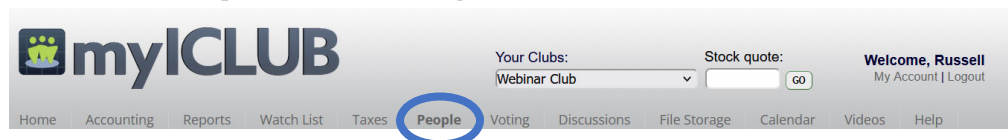
- In **People** tab, admin can set any account as “custodial.”
- Once set, member will show up as “**Jane Doe, UTMA**” on reports & throughout myICLUB.
- Follow partnership agreement for adding new member.

21

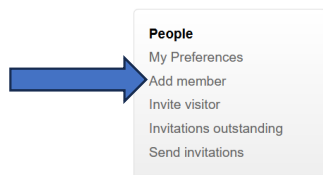
Add Custodial Account



1. Go to **People** tab in myICLUB.



2. Click **Add Member** from left nav.



22

Member Profile Entries



- After member added to club roster, go to **People** tab & click name of new member.

	Epburn, Kathrine H	12/1992	✕				
		Grace, Princessa	06/2021	✕			

23

Custodial Member Profile



- Click **Edit Profile** button.
- Scroll down to **Personal Information**.

Social Security Number:

Partner Entity: (What's this?)

Entity Name:

Custodial Account:

Custodian: Must be current member or visitor.

24

Set Custodial Account



- Enter **SSN** (must be minor's).
- Select **UGMA** or **UTMA** under **Custodial Account:**

Social Security Number:

Partner Entity: (What's this?)

Entity Name:

→ Custodial Account:

Custodian:

Permanent Address

Address:

UGMA (Uniform Gifts to Minors, All 50 States)

UTMA (Uniform Transfer to Minors, All States Except SC & VT)

Select Custodian



- Custodian can be current **member** or **visitor**.
- Select **Custodian** from dropdown list:

Phone 1:

Phone 2:

Social Security Number:

Partner Entity: (What's this?)

Entity Name:

Custodial Account: (What's this?)

→ Custodian: Must be current member or visitor.

Bruce Mallet

Russell Malley

Thurgood Marshall

Jessilyn Colby Plunkett

Artista Rafael

Jonas Salk

Johanna Swift

26

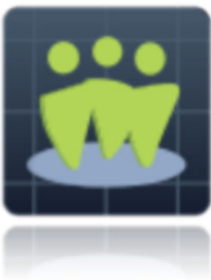
Custodial Accounts on myICLUB Reports



- Members will be shown with UGMA or UTMA after name:

Name	Paid in since 1/1/2025	Total paid in	Paid in plus earnings (Cost Basis)	Units since 1/1/2025	Total units	Market value	Percent ownership
Alphonse UGMA, Earl Z	\$22.56	\$5,937.56	\$6,397.88	0.2154	69.6345	\$7,126.12	1.49%
Cod UGMA, Alantis	\$22.56	\$17,252.44	\$29,279.79	0.2154	877.1201	\$89,760.99	18.78%
Crabb, Dungy	\$22.56	\$9,500.56	\$11,777.52	0.2154	202.8439	\$20,758.24	4.34%
Dorado, Portia	\$22.56	\$9,206.56	\$11,190.31	0.2154	180.6428	\$18,486.27	3.87%
Finn UGMA, Sarah	\$22.56	\$12,106.81	\$13,450.35	0.2154	235.5305	\$24,103.26	5.04%

27



TAXES AND TURNING OVER CUSTODIAL ACCOUNT

28

Tax Matters



- myICLUB Club Tax will generate IRS Schedule K-1 (& K-3 if necessary) for minor as taxpayer.
- Partnership income is considered unearned income.
 - 1st \$1,350 is tax-free.
 - Next \$1,350 is taxed at minor's rate.
 - Any income over \$2,700 is taxed at parent's marginal rate.

29

Centralized Partnership Audit Regime (CPAR)



- IRS is taking strict reading of laws.
- Custodial accounts are not considered “eligible partners” by IRS with respect to Audits Regime.
- Under current interpretation of law, clubs with custodial account partners are **not eligible to opt-out of CPAR.**

30

When Child Reaches Age of Majority



- myICLUB does **not** automatically switch custodian account ownership when child reaches state-mandated age.
- When child reaches designated age, club admin must manually change **Custodial Account** drop-down in member's profile from UGMA or UTMA to **Not Applicable**.

31



ANY QUESTIONS?

EMAIL ME: RUSSELL@ICLUB.COM



32

Thank You!

