



Minors Trusts: A better tomorrow starts today

Children represent the future of society, and many Tribes have made substantial investments in their youth that are designed to have a positive impact. A growing number of Native American youths receive large sums of money from the proceeds of a Minors Trust that Tribes have developed to invest in their future. For many this is the largest lump sum of income they will receive in their lifetime. Intentions to invest this money often competes with the urge to splurge and the threats from predatory individuals and industries are ever present.

In 1988, President Ronald Reagan signed into law the Indian Gaming Regulatory Act (IGRA), which provided Tribes with the ability to establish Revenue Allocation Plans (RAP) to share Tribes' gambling profits with their citizens, including minors and legally incompetent adults. RAP money for minors are often placed into a Minors Trust and these trusts usually begin for a child at birth and can be accessed as early as age 18, either in lump sums (sometimes as much as several hundred thousand dollars) or in installment payments. Occasionally, without proper financial guidance, big money can cause big trouble.

Historically, people have demonstrated the difficulties of employing windfall gains. Windfall money tends to be viewed as less consequential and more expendable. Studies show that about 70% of lottery winners lose or spend their winnings in less than five years.

Key Takeaways

Designing enhancements to a minors trust program is an important step in realizing the full value of the investments being made in Native America's youth. We work with Tribal leadership to analyze the various structures available and assist them in developing a strategic plan for Tribal membership. KeyBank's Native American Financial Services Team strives to provide Tribal leadership with the resources necessary to engage thoughtfully with their members.

Indian country is not immune to this issue. Often, there is a temptation, supported by friends, family, and merchants, for a young recipient to make impulse purchases after receiving a lump-sum distribution. Family members may pressure the child to share the wealth instead of using it to enhance the child's future prospects. And knowing that they will be receiving a large distribution could even cause some young tribal members to lose sight of the value of education and drop out of school.

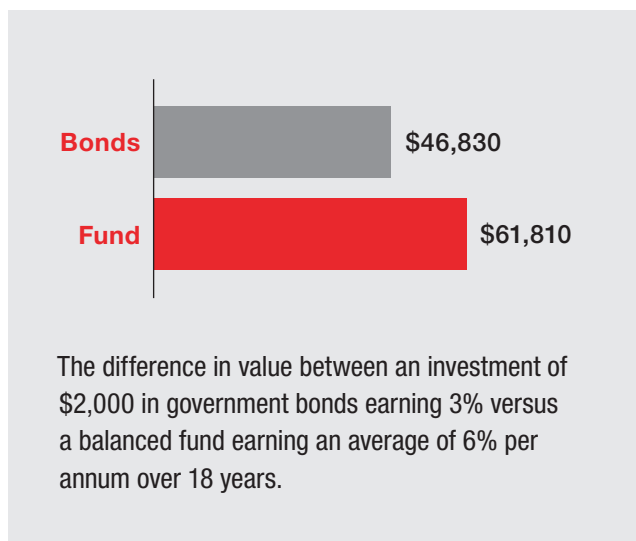
KeyBank Native American Financial Services has a deep understanding of how investment strategies and minors trust structures can help a Nation thrive. Our advisors can assist with trust management to increase financial security while protecting tribal heritage and culture.

Strategies for Financial Security

KeyBank Native American Financial Services recommends that our Tribal clients focus on the following pillars when managing their minors' trusts:

1 Risk-focused investment strategy:

In order to mitigate risk and avoid difficult conversations with Tribal members, many minors trusts invest exclusively in government bonds. Unfortunately, government bonds have not historically kept up with inflation and taxes, leaving the ultimate distributions to minors to be worth less, in real dollars, than when the funds were initially deposited on their behalf. A Tribe's focus on investment policy is critical to the success of the Minors Trust for which they are responsible. For example, adopting an age-based glidepath structure (similar to a target date retirement fund or college savings plan) that pursues growth while participants are young and de-risks the investments as they near distribution age has become a best practice.



2 Revisiting distribution management:

Tribes all across the country are coming up with creative ideas to enhance their trusts to better serve their communities and members. Strategies for distribution include:

- Splitting payments into increments rather than one lump-sum amount
- Providing parameters for how distributions can be used
- Establishing financial literacy requirements
- Assigning financial coaches and mentors to young adults

3 Enhancing communication to promote financial literacy:

Clear and consistent communication with participants is vital to the long-term success of the investment program. Upfront communication of the long-term goals and short-term risks can help address concerns when markets turn volatile and losses occur in the program.

Communication strategies can be used as an educational opportunity to promote financial literacy among membership and arm them with the knowledge to make sound financial decisions when receiving their distributions from a Trust. Strategies include:

- Quarterly investment commentary included with statements
- Annual presentations to membership on investment strategy
- Enrolling young Tribal members in educational programs and assigning mentors to help young Tribe members learn sound financial principles

The road ahead

Minors trusts' investment strategies and strategic distribution rules are important to realize the full value of the investments being made in Native America's youth. For more than 60 years, KeyBank has delivered customized solutions to Tribes from coast to coast. As one of the first financial institutions to create dedicated teams serving this market, we have a deep understanding of how investment strategies and minors trusts can help each Nation thrive.

KeyBank and Tribal Youth history

The KeyBank Foundation, a nonprofit charitable organization funded by KeyCorp, has awarded:

MORE THAN

\$350,000

in grants to the Oweesta Corporation since 2012

A GRANT FOR

\$300,000

to the National Center for American Indian Enterprise Development to support Native American businesses nationwide

\$150,000

over three years, to the Native American Finance Officers Association

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