

# Irrevocable Life Insurance Trust Checklist



On the surface, the administration of an Irrevocable Life Insurance Trust (ILIT) looks rather simple, however, life insurance is a complex trust investment asset with very unique characteristics requiring special attention. If a friend or family member does not have experience serving as trustee of an ILIT the administration can be problematic.

## The two most common mistakes we see in the administration of an ILIT by individual trustees:

- △ Failure to properly prepare the right of withdrawal or “Crummey” notices
- △ Failure to monitor and maintain the life insurance policy

If the administration is not handled properly, the IRS can challenge the use of the contributions to the ILIT and the death benefit may be subject to gift and/or estate taxes. Due to our highly litigious society, there have been an increasing amount of lawsuits against trustees related to their supervision of trust assets. As a corporate fiduciary we highly recommend naming a professional to handle the administration of an ILIT.

The trustee must always follow the terms of the trust document. The list below is a checklist of the typical duties performed by Premier Trust when it is named as trustee of an ILIT. This is not an exhaustive list because all trust documents and/or life insurance policies are not the same, but these are some general guidelines.

Administration of an ILIT	Time Frame
Send gift request to the grantor	60-90 days prior to the premium due date
When the gift is received, send Crummey letters to beneficiaries	Day gift is received by the trust
After right of withdrawal period has expired, pay the policy premiums to the life insurance company	Prior to premium due date
File the annual tax returns and tax reporting documents	Prior to filing deadline

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