

# Instructions for your Irrevocable Life Insurance Trust ("ILIT")



## NOTICE AND INSTRUCTIONS FOR IRREVOCABLE INSURANCE TRUST

The Irrevocable Insurance Trust ("ILIT") is designed for the principal purpose of excluding your life insurance proceeds from your taxable estate. The following requirements must be taken care of in order to have the ILIT succeed at estate tax savings:

- (1) Tax id #
- (2) A checking account must be opened in the name of the TRUST. Not necessary if employer pays the premiums. Use Trust's tax id# for this account. Deposit money into account, which the Trustee will use to pay the premiums.
- (3) Annual income tax returns (federal and state) - usually not required if there is no (or little) interest on the Trust account.
- (4) All insurance policies are actually owned by the Trust – Assignment of Ownership forms, or naming the Trust as the initial owner of the policy.

**3-YEAR RULE: If existing policies are transferred, you must survive for 3 years after the policies have been transferred to the Trust in order for the policies to be excluded from estate taxation. There is no such 3-year rule if Trust is the initial owner of the policies.**

- (5) "Crummey" notices to income beneficiaries: In order to permit the contributions you make to the trust (for the premium payments) to qualify for the annual gift tax exclusion, the TRUST has a "Crummey Power", which, in essence, requires that the beneficiaries of the TRUST be notified of any contributions to the TRUST, and that they each have a period of time in which to withdraw all, or a portion of, the contributions made to the TRUST by you. This is required even if someone else pays the premiums (i.e. employer).

*If your contributions to the trust account will be annual, or regularly made, you can satisfy the Crummey notice requirement by sending one notice to the eligible beneficiaries at the time of the first contribution, and inform said beneficiaries that their right will continue annually, or at such other regular interval as noted in the letter.*

**SAMPLE "CRUMMEY" NOTICE LETTER**

, 2011

**CERTIFIED MAIL/RETURN RECEIPT REQUESTED**

Beneficiary's Name

\_\_\_\_\_

\_\_\_\_\_, \_\_\_\_\_

RE: The \_\_\_\_\_ Irrevocable Trust

Dear \_\_\_\_\_ :

Please be advised that you are a beneficiary of The \_\_\_\_\_ Irrevocable Trust (hereinafter the "Trust"). Pursuant to the Article Three, paragraph C of the Trust, you have the right to withdraw your percentage share of contributions made to the Trust.

The purpose of this letter is to advise you that a contribution to the Trust, of property valued at \$ \_\_\_\_\_, was made on \_\_\_\_\_, 20\_\_\_\_, and that pursuant to the Trust you have the right to withdraw your percentage share of that contribution within thirty (30) days from this letter.

**OPTIONAL:** Unless I notify you otherwise, this right to withdraw \$\_\_\_\_\_ will continue on an annual/quarterly basis at the same time every year/quarter, etc. Unless you receive a notice of any change in this contribution plan, this letter shall serve as such notice to you until such time as any changes have occurred in the date, amount, or manner of the contribution or your right of withdrawal under the Trust.

Would you kindly acknowledge receipt of this letter by signing and dating the duplicate copy of the letter attached hereto, and returning the same to me in the enclosed self-addressed stamped envelope.

If you have any questions, or desire any further information, please do not hesitate to call.

Very truly yours,

\_\_\_\_\_, Trustee

DATED:

\_\_\_\_\_, Beneficiary