

IRREVOCABLE LIFE INSURANCE TRUST

Sample annual review checklist for trustees

The trustee plays an important role in the ongoing management of the life insurance trust. A trustee must understand the trustee's fiduciary responsibilities, as well as the corresponding potential exposure to personal liability for failing to carry out those responsibilities.

One way to help reduce that exposure is to establish an annual review process to identify potential problems with the administration of the trust and/or the life insurance policies owned by the trust before problems occur or are allowed to magnify.

This sample checklist is provided to financial professionals and the individual trustee of a life insurance trust as a starting point for creating an effective annual review process for that client.

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This content does not apply in the state of New York.

TRUST INFORMATION

Information
Name of trust:
Date of trust agreement:
Federal EIN number:

GRANTOR, TRUSTEE, AND BENEFICIARY INFORMATION

Information
Grantor name:
Grantor name:
Trustee name:
Trust protector name:
Beneficiary 1
Beneficiary name:
Address:
Date of birth:
SSN:
Beneficiary 2
Beneficiary name:
Address:
Date of birth:
SSN:
Beneficiary 3
Beneficiary name:
Address:
Date of birth:
SSN:
Beneficiary 4
Beneficiary name:
Address:
Date of birth:
SSN:

TRUST ADMINISTRATION CHECKLIST

- ☐ Obtain a complete copy of the trust and verify:
 - o Signatures: Trust document has been signed by each grantor/settlor, including the date signed and that the copy provided includes the signatures.
 - o Acknowledgement: Signature of notary, date signed, and notary seal/stamp included.
 - o Copies of any and all trust amendments and restatements have been received.
 - o All pages, sequentially numbered, have been included in the copy provided.
- ☐ Obtain federal tax identification number (EIN) for the trust.
- ☐ Obtain completed and signed IRS Form SS-4 Application for Employer Identification Number (EIN) and retain the original as part of the trust records.
- ☐ Verify the premium payment history.
- ☐ Verify annually:
 - o That each of the beneficiaries named in the trust is still living.
 - o The current name and address of any guardian or conservator for each beneficiary who is a minor child, or is subject to protections such as a court-ordered guardianship or conservatorship.
- ☐ Verify the date of birth and Social Security number (or EIN) for each beneficiary.
- ☐ Verify that required notices, such as Crummey letters, have been sent to each beneficiary to inform them of their withdrawal rights for each gift received by the trust.
- ☐ Maintain detailed records of all trust transactions (e.g., premiums paid, professional fees paid to attorneys and tax preparers, trustees' fees paid, gifts received, distributions made).
- ☐ Document all decisions and actions taken by the trustee (critical for both fiduciary accountability and potential legal protection). Examples include trustee decisions relating to distribution requests, policy replacement decisions, policy loans, policy surrender, court petitions for trustee instruction.
- ☐ If the trust was created for estate tax purposes, determine whether the grantor still has a taxable estate.

For each life insurance policy owned by the trust, obtain the following:

Policy Information	
Policy date:	
Policy number:	
Issuing company:	
Insured's name(s):	
Insured's age:	
Policy type:	<input type="checkbox"/> IUL <input type="checkbox"/> GUL <input type="checkbox"/> Whole Life <input type="checkbox"/> VUL <input type="checkbox"/> Term
Death benefit:	\$
Cash value:	\$
Remaining surrender period:	
Surrender value:	\$
Premium amount:	<input type="checkbox"/> \$ <input type="checkbox"/> Paid up policy
Premium frequency:	<input type="checkbox"/> Annual <input type="checkbox"/> Semi-annual <input type="checkbox"/> Quarterly <input type="checkbox"/> Monthly <input type="checkbox"/> Other

POLICY REVIEW CHECKLIST

- ☐ Obtain a complete copy of the trust and verify:
 - o Signatures: Trust document has been signed by each grantor/settlor, including the date signed and that the copy provided includes the signatures.
 - o Acknowledgement: Signature of notary, date signed, and notary seal/stamp included.
 - o Copies of any and all trust amendments and restatements have been received.
 - o All pages, sequentially numbered, have been included in the copy provided.
- ☐ Obtain copy of policy.
- ☐ Obtain copy of most recent policy statement.
- ☐ Obtain inforce policy ledger.
- ☐ Obtain copy of policy application, including original illustration.
- ☐ Review policy performance:
 - o Compare underlying investment returns with original policy illustration.
 - o Review cash value growth over period since last annual review.
 - o Review policy's ability to generate dividends or bonuses.
- ☐ If the policy is underperforming, recommend suitable adjustments.
- ☐ Review the status of any outstanding policy loans including:
 - o Amount of loan.
 - o Interest rate charged on the loan.
- ☐ Evaluate the premium structure and determine if it is still affordable and reasonable given the grantor's current financial situation (potential modifications may include adjusting the death benefit amount, modifying the policy type, or reviewing alternate sources of funding).
- ☐ Verify that the trust is identified as the primary beneficiary on each policy owned by the trust. If not, prepare and file the appropriate beneficiary change request with the insurance company that issued the policy.