

WHITE PAPER

Non-Professional Trustees: ILIT Responsibilities

Non-Professional Trustees

Non-professional trustees are generally chosen based on personal relationships. They typically lack the knowledge and experience of professional trustees and in most cases do not realize the full extent of their fiduciary role.

To ensure there are no incidents of ownership for irrevocable life insurance trusts (ILITs), someone other than the grantor of the trust must be appointed to act as trustee, and they are responsible for managing the trust assets.

A family member, friend, or co-worker that has been asked and has agreed to take on this role is known as a non-professional trustee.

Fiduciary Role for Non-Professional Trustees

A non-professional ILIT trustee is considered by law to be a fiduciary. They have the same responsibilities and duties as professional trustees which involve being ethically obligated to act in the trust's best interests.

If a non-professional trustee is not performing their duties or not achieving the best possible outcomes for the trust beneficiaries, it is referred to as "fiduciary risk".

Non-professional ILIT trustees have tremendous responsibilities and are required to act in trust's best interests while maintaining a strict "duty of care". Their fiduciary obligation is ongoing and requires them to always make appropriate decisions, regardless of their own self interests.

Proformex supports non-professional ILIT trustees by establishing a process of sending premium gift reminders, producing Crummey letters, verifying premium payments, and continually monitoring policy performance.

To learn how Proformex helps support and reduce liability concerns for non-professional ILIT trustees, visit our website.



Fiduciary Duties

- Avoid conflicts of interest
- Act in the trust's best interest
- Never act for their own self-interest
- Provide proper oversight
- Make decisions that protect and/or enhance trust assets

Irrevocable Life Insurance Trusts

Non-Professional Trustee Responsibilities

Ongoing ILIT Management

- Filing Tax Returns
- Managing Crummey Letters
- Handling Premium Gifts

Ongoing Policy Management

- Evaluating Carrier Strength
- Reviewing Product Alternatives
- Monitoring Client Circumstances
- Tracking Policy Performance