The possibility of a trustee not performing in the beneficiary's best interest is referred to as "fiduciary risk"

PROFORMEX
InForce Policy Management

CASE STUDY

Irrevocable Life Insurance Trustee Responsibilities

FIDUCIARY RESPONSIBILITIES

Irrevocable Life Insurance Trustees

- Handling Premium Gifts
- Managing Crummey Letters
- Filing Tax Returns
- Tracking Policy Performance
- Monitoring Client Circumstances
- Reviewing Product Alternatives
- Evaluating Carrier Strength

Ongoing **Trust** Management Responsibilities (grey): Handling Premium Gifts; Managing Crummey Letters; Filing Tax Returns

Ongoing **Policy** Management Responsibilities (orange): Tracking Policy Performance; Monitoring Client Circumstances; Reviewing Product Alternatives; Evaluating Carrier Strength

FIDUCIARIES

A fiduciary is a person who manages assets for the benefit of another person. Their responsibilities and duties involve being ethically obligated to act in that person's best Interest.

Because a fiduciary obligation is one of the highest imposed by law, the implications of breaching that duty can be severe.

It could include criminal penalties but generally the penalties are civil and result in monetary damages being awarded. In some jurisdictions, punitive damages may even be awarded for violating the fiduciary obligation, especially if the violation was intentional or malicious. Punitive damages are usually not limited to actual losses and are intended to punish bad behavior.

Money managers, financial advisers, bankers, attorneys and accountants can all be considered fiduciaries. The most common type of a fiduciary relationship is between a trustee and beneficiary. Under a trustee – beneficiary relationship, the fiduciary has legal ownership of the assets held in trust for trust beneficiaries.

To avoid fiduciary risk, the fiduciary should:

- Avoid conflicts of interest
- Act in the person's best interest
- Not act in their own self-interests
- Provide proper oversight
- Make decisions that protect and/or enhance outcomes