THE TOLI GROUP

Protecting tomorrow's tomorrow.

CHECKLIST FOR ILIT TRUSTEES

The Uniform Prudent Investor Act (UPIA) requires trustees to ***monitor*** performance of trust assets, investigate the appropriateness of trust holdings relative to peer-group alternatives, and ***manage*** trust assets in a manner that demonstrably minimizes costs and maximizes benefits. Trustees have a fiduciary duty to manage the assets in a trust for the benefit of the beneficiaries. That is why each state has laws that establish standards trustees must follow when managing a trust's assets. A trustee who doesn't meet these standards can be held personally responsible for trust losses:

To reduce the risk of personal liability and maximize the benefits for the beneficiaries, trustees need to:

- Understand the objectives and terms of the trust.
- Develop a reasonable investment strategy – complete the Life Insurance Design Questionnaire (LIDQ).
- Adopt a written Policy Management Statement.
- Implement the strategy with appropriate Life Insurance Product.
- Regularly review policies and investments.
- Make changes as needed.

I. MANAGING THE TRUST: ADMINISTRATIVE FUNCTIONS

- ❑ Remind grantor to contribute funds for policy premiums.
- ❑ Send out Crummey Letters to all beneficiaries (request return receipt).
- ❑ Pay policy premiums to Life Insurance Company – make sure all premiums are paid timely in order to not affect any death benefit guarantees.
- ❑ File annual tax returns and tax reporting documents.
- ❑ ______________________________

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II. MONITOR PERFORMANCE OF LIFE INSURANCE POLICY

Section 9 of the UPIA provides that a trustee who properly delegates investment and management functions is not liable for the decisions or actions of the agent to whom the function was delegated. This section reverses former trust law that imposed a rule of non-delegation. Trustees should consider delegation of the policy review to an independent and objective third party professional.
(These procedures may be part of the trust's Policy Management Statement.)

❏ Review in-force policy illustrations.

❏ Compare in-force illustrations to the original illustration when policy was purchased.

❏ Compare to previous years' in-force illustrations to determine performance trends.

❏ Analyze policy performance to date and estimate likely performance in the future.

❏ Review the current financial strength of the insurer; note any changes since last review.

❏ Complete and submit an application for one or more new policies from an insurer whose ratings meet the standards required in the Policy Management Statement.

❏ Compare the projected premiums, death benefits, cash surrender values and provisions of the current policy and any new policy(ies) applied for.

❏ Assess the competitiveness of the current policy with the potential new policy.

❏ Add, subtract or exchange policies owned by the trust as needed.

❏ Document all actions made in this review process.

❏ Re-evaluate all trust-owned policies at least every two years or as required under the Policy Management Statement.

❏ ____

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III. INFORMATION ABOUT THE TRUST

(Consult the grantor, the attorney who drafted the trust as well as other professionals.)

❑ Objectives of the Trust: ____________________

- ❍ How long is the trust likely to last? ____________________

❑ Who are the trust's beneficiaries?

- ❍ Primary beneficiaries: ____________________
- ❍ Secondary beneficiaries: ____________________
- ❍ Discretionary beneficiaries: ____________________

❑ What actions are required of the trustee? ____________________

❑ What does the trust say about life insurance? ____________________

❑ What does the trust and Policy Management Statement say about diversification? ____________________

____

❑ Contributions to the trust:

- ❍ Amount of original contribution: $ ____________________
- ❍ Total contribution to date: $ ____________ Source (gifts, loans, other): ____________
- ❍ Size of projected additional contributions: $ ____________ Timing: ____________

❑ Estimated timing and amounts of distributions:

❍ Primary beneficiaries: ____________________

❍ Secondary beneficiaries: ____________________

❑ Provisions for trustee succession:

- ❍ First Successor: ____________________
- ❍ Second Successor: ____________________

❑ Observations or concerns about the trust: ____________________

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