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ILIT Crummey Notices

Administrative Support for Annual Gift Tax Exclusion Compliance

Prepared by Barth Agency Services, Inc. | September 2026

This white paper provides a general, educational overview of Crummey notice administration and does not constitute legal, fiduciary, or tax advice. It does not address the terms of any specific trust. ILIT structures and notice requirements vary and should be evaluated on a case-by-case basis with the Trustee's attorney and tax advisor.

I. Introduction

An Irrevocable Life Insurance Trust ("ILIT") is commonly funded each year through cash contributions used to pay the premiums on the life insurance policy it owns. For those contributions to qualify for the annual gift tax exclusion, each beneficiary generally must be given a genuine, if brief, right to withdraw their share of the contribution — a "present interest" in the gift. A Crummey notice is the written notice informing a beneficiary of that withdrawal right and the window of time in which it may be exercised. This white paper provides a general overview of Crummey notice administration and the administrative support Barth Agency Services, Inc. ("BAS") provides. ILIT terms, withdrawal rights, and notice requirements vary by trust and should be evaluated on a case-by-case basis with the Trustee's attorney and tax advisor; this white paper does not address the terms of any specific trust.

II. Why Crummey Notices Matter

The annual gift tax exclusion for an ILIT contribution depends on the notices actually being given — on time, to the right beneficiaries, with a record showing that they were — not merely on the trust document permitting withdrawal rights in theory. Annual ILIT contributions require timely Crummey notices to beneficiaries as part of keeping the trust administered the way it was designed to operate.

If a Crummey notice is missed, late, or never sent, that year's contribution can lose its qualification for the annual gift tax exclusion — the IRS may treat it as a gift of a future interest rather than a present interest, which can trigger unanticipated gift tax reporting and, if the pattern continues, call into question the trust's administration as a whole. Undocumented or unfiled notices leave the exclusion resting on the trust document alone, without the administrative record needed to support it if the position is ever examined.

III. What Proper Crummey Notice Administration Includes

A complete administrative process for each year's contribution generally includes:

— **Annual contribution documentation** — a clear record of each year's contribution to the trust: the amount, the date, and its source.

— **Preparation of Crummey notices** — notices prepared by BAS for each beneficiary entitled to a withdrawal right, reflecting that year's contribution.

— **Coordination of notice delivery** — getting notices to beneficiaries promptly after the contribution, through a consistent, trackable method.

— **Maintenance of proof of delivery** — evidence, such as signed acknowledgments or delivery confirmations, that each notice actually reached its beneficiary.

— **Annual administrative records** — an organized annual file documenting the year's contribution, notices, and delivery, ready to hand to the Trustee's advisors if needed.

IV. Why Timely, Documented Notices Matter

— **A missed, late, or undocumented notice** can call into question whether a beneficiary's withdrawal right was genuine — which is central to the gift tax treatment the trust is relying on.

— **Proof of delivery** is what turns “notices were sent” into a defensible record if the trust's administration is ever reviewed.

— **A consistent, year-over-year administrative history** is far easier to maintain — and to rely on — than reconstructing past years' notices after the fact.

V. Scope of BAS's Role

BAS does not act as Trustee, does not act as legal counsel, and does not provide legal, fiduciary, or tax advice. Preparing a Crummey notice is an administrative task — applying that year's contribution and beneficiary information the Trustee provides to a standard notice format — and BAS handles this directly as part of its administrative support: notice preparation, delivery coordination, and recordkeeping — under the Trustee's direction and based on the information and instructions the Trustee provides. Whether a particular ILIT's withdrawal rights are properly structured, how long a withdrawal window should remain open, and how a specific trust's terms should be interpreted are legal and fiduciary questions that remain the responsibility of the Trustee, in consultation with the Trustee's attorney and tax advisor.

VI. How Barth Agency Services Helps

Barth Agency Services provides administrative support for the recurring work of Crummey notice compliance, under the Trustee's direction. This is an administrative-level service BAS provides directly:

— **Documenting** each year's contribution to the trust.

— **Preparing** Crummey notices for the trust's beneficiaries, based on the contribution and beneficiary information the Trustee provides.

— **Coordinating** delivery of notices to beneficiaries.

— **Maintaining** proof of delivery for each notice sent.

— **Keeping** annual administrative records organized and accessible.

VII. Conclusion

A complete, timely Crummey notice record is what allows an ILIT's annual contributions to work as intended for gift tax purposes. BAS prepares the notices and supports that administrative process each year, under the Trustee's direction. Because ILIT terms and withdrawal rights vary from trust to trust, Trustees should consult their attorney and tax advisor regarding the specific requirements of their trust.

For more information or to begin a Crummey notice administrative support engagement, contact Barth Agency Services, Inc.