FOR ATTORNEYS, CPAS & FINANCIAL ADVISORS

The Hidden Multimillion-Dollar Liability for ILIT Trustees

Attorneys, CPAs and financial advisors often agree to serve as trustee of an irrevocable life insurance trust (ILIT) as a favor to a client. But serving as an ILIT trustee is a fiduciary role with personal liability, and that liability can follow you into retirement.

46.5%	49.1%	30+ yrs	100%
of trust-held policies now projected to lapse before maturity	of no-lapse guarantees have been compromised	average ILIT trustee term, often outlasting a professional career	of fiduciary liability falls on the individual trustee, personally

Policy data: ITM analysis of more than 25,000 trust-owned life insurance policies.

Why Liability Follows You

Your duty doesn't end when the engagement does. It lasts as long as the trust, and the people who can bring a claim aren't the client who asked the favor.

1 The relationship doesn't protect you

The fiduciary duty runs to the beneficiaries, often children or grandchildren you may never have met. Family dynamics change over the years.

2 Claims can still come years later

ILITs run 30+ years. Problems often surface when premium payments stop, the policy lapses or is surrendered, or the insured dies.

3 Your coverage may not protect you

Many malpractice and E&O policies exclude or limit coverage for serving as trustee, and retirement tail coverage may not extend to fiduciary roles.

WHERE RISK LIES FOR TRUSTEES

Reasonable People, Costly Misses

Most claims don't stem from bad intent. They come from a deadline, a notice, or a policy change that slipped through over decades of administration.

MISSED DEADLINES & NOTICES

- A term conversion deadline passes, leaving an uninsurable insured without coverage.
- One late premium voids a guarantee.
- Extension rider notice dates are missed.
- Missed Crummey notices put the gifts' tax treatment at risk.
- Carrier notices go to an old address or to the grantor.

POLICY PERFORMANCE

- A UL policy funded on higher-rate illustrations quietly heads toward lapse.
- Cost-of-insurance increases go unevaluated.
- Carrier charge errors go unnoticed.
- The policy is overfunded.
- Mishandled policy loans create tax consequences.
- Premiums stop, and beneficiaries' options aren't fully explored.

CARRIER & REPLACEMENT DECISIONS

- A carrier is downgraded or enters rehabilitation, and an exchange isn't considered in time.
- A replacement policy is bought without proper review.

RECORDS

- Reasonable decisions were made but never documented, leaving nothing to defend them years later.

TRUST JURISDICTION MATTERS

The South Dakota Advantage

LITCO is a South Dakota corporate trustee. Advisors regularly resign and appoint LITCO, moving the trust's administration to one of the most favorable trust jurisdictions in the country.

TAXATION

- One of the lowest state premium tax in the nation*
- No state income taxes

MODERN TRUST LAWS

- Top-rated dynasty trusts*
- Favorable decanting and trust modification statutes*

ASSET PROTECTION

- Strong asset protection statutes
- Top-rated privacy statutes*

Why Appoint LITCO as Successor Trustee

1. **Remove Your Personal Liability**
   As corporate trustee, LITCO assumes fiduciary accountability for the trust going forward, so a decades-long obligation doesn't follow you into retirement.

2. **Peace of Mind Without the Workload**
   Premium payments, Crummey notices, carrier correspondence, policy reviews, and documentation are handled by our team, with a dedicated trust officer and life insurance experts on every trust.

3. **Better Outcomes for Your Clients**
   Active policy monitoring and independent, documented decision-making help protect coverage, preserve the plan's tax benefits, and keep the trust working for beneficiaries for generations.

ONE OF THE LARGEST CORPORATE TRUSTEES FOR ILITs

50+ yrs	25,000+	$60B+	7 of 10	300+
of industry experience	policies administered by LITCO & its ITM affiliate	in policy face amount by LITCO & its ITM affiliate	largest banks and trust companies partner with LITCO*	bank and trust companies partner with affiliate ITM

Plan Your Exit Before You Retire

Talk with us about transitioning the ILITs you serve to a professional successor trustee. We work alongside you and your clients to make the handoff seamless.

CONTACT US TODAY
trustlitco.com
888.320.9594

To submit a new trust, email us at trustonboarding@lifeinsurancetrustco.com

This material is for informational purposes only and is not legal, tax, or insurance advice. Professional liability coverage varies by carrier and policy; review your own coverage with your insurer. Trust jurisdiction benefits depend on the terms of each trust and applicable law; consult the trust's counsel before changing situs.

Sources: SDCL 10-44-2; "Premium Tax Rate by Line," Dec. 2025; Oshins Dynasty Trust and Trust Decanting State Rankings (2025); Trusts & Estates, Jan. 2024; US News "20 Biggest Banks in America"

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