



Mesmer Law Offices, P.A.
41 Brook Street, Manchester, NH 03104



“Tip of the Month”

IRREVOCABLE INSURANCE TRUSTS Send your Kids a Crummey Letter

People who have revocable living trusts understand the unified credit shelter. The trust provisions allow a couple to pass up to \$1.2 million of property free from federal estate and gift taxes. But what if the estate is worth more than \$1.2 million?

Contrary to popular belief, the face amount of a life insurance policy is taxable. The estate and gift tax applies to the giver, not the receiver. If you have lots of life insurance, your estate could go way over the top of the unified credit shelter. What can you do? You can take the life insurance out of your taxable estate with an irrevocable trust.

Irrevocable means unchangeable, not to be undone. You must give up all "indicia of ownership." For many, this is no problem. They already know who their life insurance beneficiaries are; this is not going to change. The trust simply owns and manages the life insurance.

How can you pay the premiums without any indicia of ownership? You send enough money to pay the premium to your trustee (who can be your spouse, a friend, a bank), and a letter to each of the beneficiaries. The letter says you have made them each a cash gift. If they do not accept their gifts within 30 days, the fund will be used to pay the insurance premium. Naturally, no one takes the gift. The trustee pays the premium.

This method was approved in a tax court case called Crummey v. Commissioner. That's why it is called a "Crummey Trust." If it works for you, you can tell your kids you are sending them a crummey letter every year from now on.

If you would like more information, please call us at 668-1971 and request our "Wills, Trusts & Estate Planning" brochure.

We can provide you with the necessary review and recommendations or discuss your estate planning with you. To set up a review, call us at 668-1971 or contact us through the internet at *Meslaw @ aol.com*.

Frank B. Mesmer, Jr., Esq.
Robert R. Deleault, Esq.

(603) 668-1971
Fax (603) 622-1445
Internet: *Meslaw@aol.com*