

Keep your Crummey chummy



You can increase the ultimate value of your gifts by finding that silver lining surrounding the economic storm that may have recently devalued many of your holdings.



If you, like many others, have made your annual exclusion gifts to trusts, it is important to note that gifts to trusts will not qualify for the gift tax annual exclusion unless trust beneficiaries have certain, limited rights to the trust assets commonly known as “Crummey powers.”



Basically, a Crummey power is a right granted to the beneficiary of a trust to withdraw from the trust up to the amount of your gift tax annual exclusion. By assigning these Crummey powers to a trust, it allows gifts to your trust to qualify for the gift tax annual exclusion, **but only if the beneficiaries are aware of this power.** Thus, a “Crummey notice” should be drafted and given to each beneficiary of a trust (or in the case of a minor beneficiary, to their legal guardian) each time a contribution is made to the trust. The notice should be delivered at the same time a contribution is made but in no

event later than the end of the year in which the contribution is made.

If you have created an insurance trust, remember that premium payments for insurance owned by the trust are considered additions to the trust and thereby require that a Crummey notice be sent.

It is essential that withdrawal rights actually be exercisable in order for your gifts to qualify for the gift tax annual exclusion. The Crummey notices ensure that your Crummey will remain chummy with the IRS.

If you have questions about Crummey notices, give your tax professional at Lavelle & Finn a call.

518-869-6227

LAVELLE & FINN, LLP

Tax, Business & Elder Law • Estate Planning • Wealth Preservation