Crummey Power

CONCEPT APPLIED:

Individuals who establish an irrevocable life insurance trust (ILIT) make annual gifts to the trust that can be used to pay premiums on a life insurance policy held and owned by the trust. If the trust beneficiaries have Crummey powers, these gifts qualify for the annual gift tax exclusion.

HOW IT WORKS:

The grantor creates an ILIT and makes annual contributions (usually in an amount up to or equal to the annual gift tax exclusion, to avoid gift taxes). Once the grantor transfers the money, the trustee informs each beneficiary of their right to withdraw the contribution over a limited period of time (usually 30 days). Typically, the beneficiary does not make a withdrawal from the trust. The Crummey power lapses, the gift qualifies for the exclusion, and the trustee uses the contributions to pay the life insurance premiums.

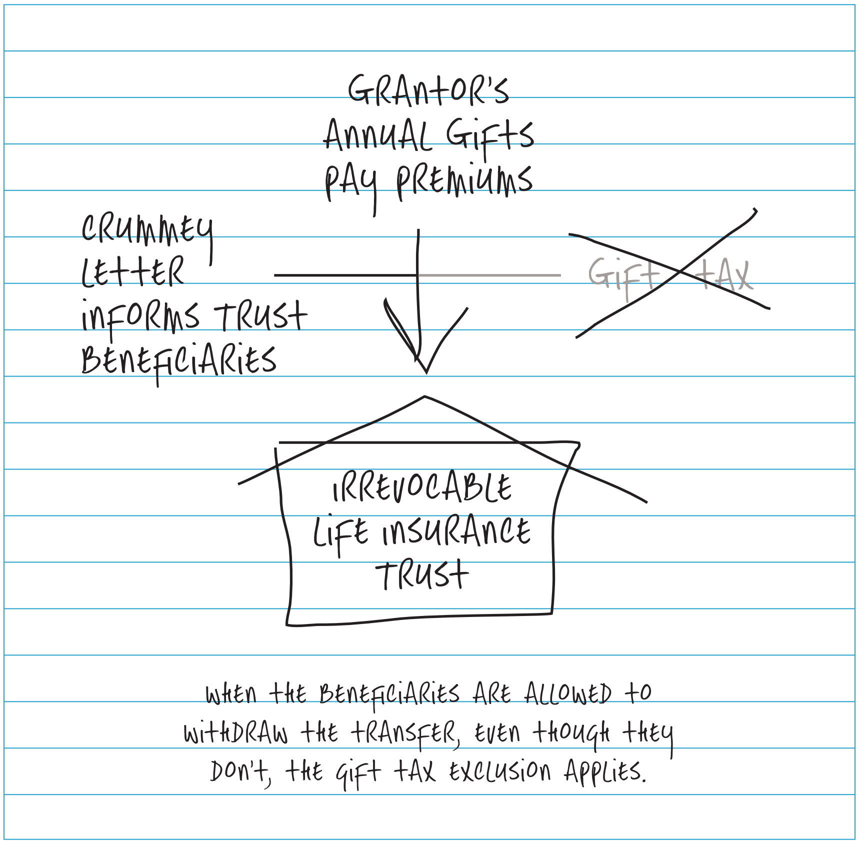
NOTE: While this piece focuses on ILITs, other types of trusts can also use a Crummey power.

WHY IS IT USEFUL?

In an ILIT, the Crummey power effectively avoids federal gift taxation of contributions necessary to pay premiums on the life insurance policy held in the trust by qualifying the contribution for the gift tax annual exclusion.

50 WORDS OR LESS

Crummey powers are trust terms that grant beneficiaries the power to withdraw transfers from the trust. This right qualifies the transfers for the annual gift tax exclusion ($19,000 in 2026).*



* Rev. Proc. 2025-32 provides the 2026 exclusion amount.

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