

Glossary of Planned Giving Terms

Actuarial: As used in gift planning, refers to the factors used to calculate the value of lifetime payments to individuals or organizations.

Administrator: The personal representative appointed by the court to administer the probate estate when there is no Executor nominated in the will.

Agent: The person given the power to make decisions or to act under a power of attorney. Also called the "attorney-in-fact."

Amendment: A document that changes certain terms of a trust.

Appreciated Property: Securities, real estate, or any other property that has risen in value since the benefactor acquired it. Generally, appreciated property held by the donor for a year or more may be donated at full fair market value with no capital gains cost.

Annuity: A contractual arrangement to pay a fixed sum of money to an individual at regular intervals. The charitable gift annuity is a gift to that secures fixed lifetime payments to the benefactor and/or another individual.

Adjusted Gross Income ("AGI"): The sum of an individual's taxable income for the year is the total at the bottom of the first page of Form 1040.

Appraisal: An assessment of the value of a piece of property. Benefactors contributing real or tangible personal property (art, books, collectibles, etc.) must secure an independent appraisal of the property to substantiate the value they claim as a charitable deduction.

Basis: The benefactor's purchase price for an asset, possibly adjusted to reflect subsequent costs or depreciation. If Mrs. Quinn bought stock for \$100 per share and sold it for \$175, her cost basis in the stock is \$100 per share.

Beneficiary: The recipient of a bequest from a will or a distribution from a trust.

Bequest: A transfer of property or cash to an individual or organization under a will.

Capital Gains Tax: A federal tax on the appreciation in an asset between its purchase and sale prices.

Codicil: A document that changes certain terms of a will.

Cost Basis: See Basis, above.

Decedent: An individual who died.

Descendant: Any person in the direct line of descent from you. This includes your children, grandchildren, great-grandchildren, etc.

Donor: The person who makes a gift

Endowment Fund: The permanently held capital of a non-profit, income and/or principal from which is used to support ongoing projects and meet institutional opportunities.

Glossary of Planned Giving Terms

Estate Tax: A federal tax on the value of the property held by an individual at his or her death (paid by individual's estate, not the heirs or recipients of bequests). In contrast, state inheritance tax is applied to the value of bequests passing to beneficiaries; it is also paid by the estate before the distributions are made.

Executor: The person named in a will to administer the estate (known in some states as the "personal representative").

Fair Market Value: The price that an asset would bring on the open market.

Grantor: The individual transferring property into a trust.

Income Interest: In a trust, the right to receive payments from the trust for lifetime or a term of years.

K-1 (also 1099-R): The IRS forms that we send our life-income gift participants detailing how payments they received from their gifts during the year will be taxed.

Life Income Gift: A planned gift that makes payments to the benefactor and/or other beneficiaries for life or a term of years, then distributes the remainder to charity.

Living Trust: A trust created by an individual during life that benefits the individual during life and can be revoked or amended by the individual during life. Living Trusts are commonly used to avoid guardianship proceedings in the event of incapacity and to avoid probate proceedings at death. Also called a "revocable trust."
Living Will: A document under which an individual directs his or her physician not to use life-sustaining treatment under certain circumstances.

Personal Property: Securities, artwork, business interests and items of tangible property as opposed to "real property," used in gift planning to refer to land and the structures built on it.

Personal Representative: See Executor, above.

Power of Appointment: A power over a trust that permits an individual (the "power holder") to direct that the trust assets be distributed among a group of beneficiaries specified in the trust. The trust may specify whether the power of appointment can be exercised during the power's holder's life, at the power holder's death, or at either time. The group of beneficiaries to whom the power holder may appoint can be defined broadly (e.g., "to any person or organization") or narrowly (e.g., "to his or her descendants"). Unless otherwise specified in the trust, the power holder can direct the amount or portion of the trust that each person should receive.

Power of Attorney: A document under which an individual (the "principal") gives another person (the "agent") the power to make certain decisions or to take certain actions for the principal. Powers of Attorney are effective only while the principal is living.

1. **Power of Attorney for Health Care:** A document under which an individual appoints an agent and gives the agent the power to make health care decisions for the individual.
2. **Power of Attorney for Property:** A document under which an individual appoints an agent and gives the agent the power to take actions with respect to the individual's property. A Power of Attorney for Property can be useful to avoid guardianship proceedings if the principal becomes incapacitated.

Glossary of Planned Giving Terms

3. **Durable Power of Attorney:** A Power of Attorney that stays in effect even after the principal becomes incapacitated. **Principal:** For purposes of trust distributions and accounting, the assets of a trust other than income. **Trust principal** includes capital gains and proceeds from the sale of trust assets.

Probate: The court procedure of administering the estate of a deceased person and distributing the assets to the appropriate beneficiaries.

Probate estate: The assets subject to probate, which generally only include assets titled in the decedent's individual name, the decedent's interest in assets titled in tenancy in common and assets payable to the estate at death. **Revocable:** Can be revoked or undone. For example, the settlor of a revocable trust can revoke the trust and take back the assets of the trust.

Rule Against Perpetuities: The rule that says a trust must end no later than 21 years after the death of the survivor of a specified group of individuals, each of whom was living when the trust was created. Often the descendants of the grantor living when the trust was established are the "measuring lives." A number of states have repealed the rule against perpetuities and now allow trusts to last indefinitely. Illinois allows a trust to opt out of the rule against perpetuities.

Revocable Trust: A trust created by an individual during life that benefits the individual during life and can be revoked or amended by the individual during life. Revocable trusts are commonly used to avoid guardianship proceedings in the event of incapacity and to avoid probate proceedings at death. Also called a "living trust."

Settlor: The person who establishes a trust.

Remainder Interest: In a trust, the portion of the principal left after the income interest has been paid to the beneficiary(ies). A charitable remainder trust pays income to the benefactor or other individuals and then passes its remainder to charity.

Remainderman: A legal term for the individual or organization who receives the trust principal after the income interest has been satisfied.

Testator: The individual making the will.

Trust: A transfer of property by the grantor to the care of an individual or organization, for the benefit of the grantor or others.

Trustee: An individual or organization carrying out the wishes of the person who established the trust (the "grantor"), paying income to the beneficiaries and preserving the principal for ultimate distribution.

Ward: The person (a minor or disabled person) protected by a guardianship. **Will:** A document that directs the disposition of an individual's probate assets at death.