PLANNED GIVING GLOSSARY OF COMMON TERMS

Actuarial: Refers to certain factors used to calculate the value of lifetime payments based on the life expectancies of income beneficiaries and/or the term of years for a trust.

Adjusted Gross Income (AGI): Your total gross income adjusted downward by specific deductions allowed by the tax code, before taking your standard or itemized deductions. AGI is the number you write at the bottom of page 1 of your 1040. Individuals may deduct charitable cash contributions up to 50% of AGI in any given tax year. For gifts of appreciated property the deductible limit is 30% of AGI in any given tax year.

Annuity: A contractual agreement to pay a fixed sum of money to an individual at regular intervals. The charitable gift annuity is a gift that ensures fixed lifetime payments to the donor and/or another individual of their choosing.

Appraisal: A professional assessment of the value of a piece of property. Generally, donors contributing real or tangible personal property worth $5,000 or more must secure an independent appraisal of the property to verify the value they claim as part of a charitable deduction.

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

Basis: The benefactor's purchase price for an asset, possibly adjusted to reflect subsequent costs or depreciation.

Beneficiary: The recipient of a bequest from a will or a distribution from a trust, retirement plan, or life insurance policy.

Bequest: A transfer of property or cash to an individual or organization as stated in a will.

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

Codicil: A document that amends, rather than replaces, a previously executed will. Amendments made by a codicil may add or revoke a few small provisions (e.g., changing executors), or may completely change the majority or all of the gifts under the will. Each codicil must conform to the same legal requirements as the original will, such as the signatures of the testator and, typically, two or three (depending on jurisdiction) disinterested witnesses.

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

Executor: The person named in a will to administer the estate.

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 the recipients lifetime or a term of specified years.

Inter Vivos Trust: A trust that is created by an individual while he or she is still living as opposed to a testamentary trust which is created by a will after someone's passing.

Intestate: Dying without a legal current will or living trust.

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

Life Expectancy: A statistical measure of the average length of an individual's life.

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

Personal Property: Securities or items of tangible property as opposed to "real property," used in planned giving to refer to land and the structures built on it.

Personal Representative: Same as an executor.

Planned Giving: A way to support charities that enables generous individuals to make larger gifts than they could make from their income. While some planned gifts provide a lifelong income to the donor, others use estate and tax planning techniques to provide for charity and other heirs in ways that maximize the gift and/or minimize its impact on the donor's estate.

Present Value: The value on a given date of a future payment or a series of future payments, discounted to reflect the time value of money based on various factors such as investment risk and inflation.

Probate: The review of a will before the Probate Court to ensure that the will is authentic and the estate is distributed correctly.

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 donor 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.

Testamentary Trust: Refers to a trust that is created in a will after someone’s passing as opposed to a living or inter vivos trust, which is created by a living grantor.

Testator: The individual making the will.

Trust: A legal entity created by a written agreement by a grantor to hold and invest property for the benefit of the grantor and/or other beneficiaries.

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.