Glossary of Estate Planning and Planned Giving Terms

Estate Planning is part of our spiritual responsibility for the assets God has entrusted to us. When we realize that everything we own actually belongs to God and we are simply His caretakers or stewards, we understand the importance of making sure that those assets are passed on in a way that honors God and furthers His kingdom.

- **Asset** Property to which a value can be assigned; the property owned by a person or organization. In legal terms, the property of a person that can be taken by law for the settlement of debts or that forms part of a person's Estate
- **Beneficiary** An individual designated to receive benefits or funds under a Will or Trust, or other contract, such as an insurance policy, Trust or retirement plan.
- **Bequest** To give or leave something by Will or Trust; typically personal property, cash or other assets.
- **Capital Gain Tax** A separate tax charged on the profit from the sale of an asset that was purchased at a lower price. For instance, if an individual purchases stock for $100, then sells that stock for $500, he or she will pay capital gain tax on the profit of $400. Capital gain tax rates are usually different than income tax rates.
- **Charitable Remainder Trust** A Trust created by a donor that makes payments to the individual(s) for life or a period of years. At the end of the Trust term, the remaining balance in the Trust is distributed to charity. The donor receives a charitable tax deduction at the time of the gift to the Trust.
- **Charitable Lead Trust** A Trust designed to reduce beneficiaries' taxable income by first donating a portion of the Trust's income to charity. Then, after a specified period of time, the remainder of the Trust is transferred to the beneficiaries who typically face lower taxes.
- **Children's Trust** A Trust generally established at death through a Will or Trust. This type of Trust often has "rules" for how and when Trust proceeds will be distributed to children. A typical Children's Trust will distribute as much money as necessary for the care, support and education of the children. Often, when the children reach a certain age, the balance of the Trust assets are distributed to them for their personal use.
- **Corporate Fiduciary** An institution that acts for the benefit of another. One example is a bank acting as Trustee.
- **Double Tax Asset** Many people have retirement assets such as an IRA or 401(k). The withdrawal from these accounts is subject to income tax. If such an asset is left to loved ones, they too will pay income tax on the amounts they withdraw from the accounts. If the Estate is large enough that it is subject to Estate tax upon death, the retirement assets will be taxed twice – once upon

death and again when funds are withdrawn. If retirement assets are used to satisfy charitable bequests, both income tax and Estate tax will be eliminated on these assets.

- **Estate Tax** A tax imposed at one's death on the transfer of property.
- **Executor (or Personal Representative)** The person named in a Will to manage one's Estate after death. This person will collect the property, pay any debt and distribute property or assets according to the Will.
- **Fiduciary** A person or institution legally responsible for the management, investment and distribution of funds. Examples include Trustees, executors and administrators.
- **Gift Annuity** A contract between a donor and a charity that provides the donor with guaranteed fixed payments for life. The donor receives a charitable deduction at the time of funding the Gift Annuity, and the annual payment percentage is based on the donor's age at the time the gift is made. In addition, a portion of each payment is tax-free. Upon the death of the donor, the charity receives the balance of the annuity.
- **Gift Tax** Tax on gifts generally paid by the person making the gift rather than the recipient.
- **Guardian** An individual legally appointed to manage the rights and/or property of a person incapable of taking care of his or her own affairs.
- **Income In Respect Of a Decedent** The portion of your Estate designated for Christian causes where the assets used for the charitable gift should be those that have not previously been subject to income tax.
- **Intestate** A person who dies intestate has no Will, and the State then designates how personal property and assets will be distributed.
- **Joint Ownership** The ownership of property by two or more people, often with the right of survivorship. The survivor thus ends up owning the property outright upon the death of the other party.
- **Living Will** A Living Will is a document that allows a person to explain the type of medical treatment that they wish to receive in the event of a terminal illness where death is imminent. A Living Will often indicates when life support, hydration or nutrition may be removed. Laws governing Living Wills vary by state.
- **Marital Deduction** A deduction allowing for the unlimited transfer of any or all property from one spouse to the other, generally free of Estate and gift taxes.
- **Power of Attorney for Health Care** A document that authorizes another person (an advocate) to make health care decisions for an individual if he or she is incapable of making their own decisions.
- **Power of Attorney for Property** A document that authorizes a person (described as the agent) to conduct financial transactions for another individual.

The agent's power can be restricted within the document. A Durable Power of Attorney for Property is valid even if the individual becomes incapacitated.

- **Probate** Probate is the legal process of settling a person's Estate, specifically to resolve all claims and distribute the person's property under the valid Will. Probate protects the individual's instructions, confirms the executor as the personal representative of the Estate, protects the interests of family members who may have claims against the Estate, and protects the executor against claims and law suits.
- **Revocable Living Trust** An Estate Planning tool that provides for the convenient administration of the assets in an individual's Estate without the necessity of court supervision. When assets are transferred into a Revocable Living Trust (a process called "funding"), the Trustee can manage the assets in the event of the individual's incapacity or death. This type of Trust is often used to avoid the probate court process and can also be used to provide ongoing management of assets after one's death. A Revocable Living Trust can be amended or revoked until such time as the individual is incapacitated or deceased.
- **Testamentary Trust** A Trust that is created upon death by the terms of a person's Will.
- **Trustee** The individual or institution entrusted with the duty of managing property placed in the Trust. A "co-trustee" serves as trustee with another. A "contingent trustee" becomes Trustee upon the occurrence of a specified future event.
- **Will** Often referred to as a "Last Will and Testament," a Will is a final statement of one's wishes regarding the assets in one's Estate. A Will does not eliminate the need for probate court intervention, as many people mistakenly believe, but it gives the probate court direction as to how the assets should be distributed. In most states, a Will is the document used to name guardians of minor children.