



## **Glossary of Terms**

### **Actuarial**

When used in planned giving, refers to the factors used to calculate the value of lifetime payments to individuals or organizations.

### **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 ASPCA 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. Individuals may deduct charitable cash contributions up to 50% of AGI; they may deduct gifts of appreciated securities and appreciated property up to 30% of AGI.

### **Attorney-in-Fact**

An individual who is legally authorized to act on behalf of another by virtue of a power of attorney.

### **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.

### **Bargain Sale**

When an individual sells property to a charity for less than its market value. Tax law considers this a part sale and a part charitable gift with tax benefits and capital gain apportioned to each part.

**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 simple amendment to a will which avoids the cost and complication of re-writing the entire will. The codicil must be signed and witnessed or notarized as is the original will.

**Cost Basis**

See Basis, above.

**Durable Power of Attorney**

Legally appointing an individual as your "Attorney-in-Fact" allowing that person to take charge of your financial affairs in the event of incompetency or disability.

**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.

**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.

## **Health Care Power of Attorney**

Legally appointing an individual as your "Attorney-in-Fact" allowing that person to make decisions about your medical treatment in the event of incompetency.

## **Income Interest**

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

## **Income in Respect of a Decedent (IRD)**

Taxable income earned by a decedent, but was not yet received (nor taxes paid) before death. Common IRD sources are income from IRA's or other qualified plans, income from a commercial annuity or interest earned on E Bonds.

## **Intestacy**

When a person dies without a valid will, state laws will determine how the individual's probate estate will be divided by any heirs. If no heirs, then the state absorbs any remaining probate assets.

## **Joint Ownership**

The ownership of property by two or more persons, usually with rights of survivorship. Such an arrangement super cedes a will.

## **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**

Also "Revocable Living Trust". A trust that is created by a living individual (grantor) that is used to manage assets for the benefit of the grantor and/or other persons. At the grantor's death the assets in the trust are passed to any named beneficiaries or the trust can continue to operate providing benefits to beneficiaries for their lives or for a predetermined period of time.

## **Living Will**

A legal document which allows you to indicate whether or not you would like your life to be "artificially prolonged" in the event of an injury, disease or terminal condition that prevents you from communicating your wishes. Living wills are often used in conjunction with a health care power of attorney, which appoints someone to make health care decisions on your behalf.

## **Personal Property**

Securities, artwork, business interests and 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**

See Executor, above.

## **Planned Giving**

Also "Gift Planning." The process of charitable giving in light of financial, estate and/or tax planning. Such gifts often require the assistance of an attorney, financial professional or planned giving officer.

## **Probate**

The court which determines the validity of a will and provides judicial oversight over the distribution of the estate. If there is no valid will then the Probate Court will appoint an administrator of the estate to facilitate the estate's distribution in accordance with state law.

## **Qualified Appraisal**

A written appraisal conducted by a knowledgeable professional to determine the fair market value of property (other than marketable securities) donated to a charity. If the donor wishes to use the value of the donated property for a charitable income tax deduction, the appraisal must be obtained by the donor and attached to his/her tax return only if the property has a value of \$5,000 or more.

## **Remainder Interest**

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

### **Related-Use Rule**

If a donor can receive a charitable income tax deduction for the full fair market value of donated tangible personal property, the property must have a use to the charity that is related to their tax-exempt purpose. Otherwise the deduction is limited to the donor's cost basis.

### **Remainderman**

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

### **Rights of Survivorship**

A type of titling arrangement whereby assets would automatically transfer from one person to another upon the death of the first person. Commonly referred to as Joint Tenancy with Rights of Survivorship. This title arrangement would super cede a will.

### **Stepped-Up Basis**

When an individual inherits property from a decedent, the property's cost basis is stepped-up to its fair market value on the date of death, and thus the heir receiving the property would avoid any capital gains tax if he/she were to immediately sell the property.

### **Testamentary Trust**

A trust that is created and goes into effect only when an individual dies. Such a trust is usually set up under the terms of a will.

### **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.