Glossary of Planned Giving Terms

(courtesy of the American Library Association)

The following terms are commonly used when discussing estate planning and planned giving. A brief definition is offered here for your reference.

Administrator
The person appointed by the court to manage one's estate when he or she dies without leaving a will. Administrators have the same duties as executors.

Appreciated Assets/Appreciated Property
Assets that have a higher market value than their basis or tax purpose value. Such assets would, if sold by an individual or non-charitable organization at a price higher than their basis, potentially generate taxable capital gains. Generally, appreciated property held by a donor for a year or more may be donated at full fair market value with no capital gains cost.

Beneficiary
An individual or organization designated to receive benefits or funds under a will or other contract, such as an insurance policy, trust, or retirement plan.

Bequest
A gift of property or assets to a beneficiary as defined in a will.

Codicil
The only legal document that can change a will. A codicil is 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. The codicil must be executed with the same formalities as the will itself.

Estate
All of the real or personal property in which a person has a right or interest.

Estate Tax/Federal 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. Also called “Personal Representative” in some states.

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. One can nominate a guardian in a will.

Intestacy
When a person dies without a valid will, state laws will determine how the individual’s estate will be divided among their heirs. If there are no heirs, the state absorbs any remaining probate assets.

Irrevocable Gift
A gift that cannot be annulled, undone, or changed.

Joint Ownership
The ownership of property by two or more people, usually with the right of survivorship.

Joint Tenancy
A type of ownership where any two or more persons, related or not, may hold (own) property and the property passes to the survivor or survivors on the death of one. This passing is not automatic, as some think, and the procedure for passing will depend on local law. But, this form of ownership does have the advantage of allowing property to pass to the survivor without delays of probate and court administration costs.

Living Will

A legal document directing that the maker's or signer's life is not to be artificially supported in the event of a terminal illness or accident.

Personal Property/Tangible Personal Property
Securities, artwork, business interests and items of tangible property as opposed to "real property," which is used in planned giving to refer to land and any structures built on it.

Planned Giving
A method of supporting charities that enables generous individuals to make larger gifts than they could make from their income. While some planned gifts provide a life-long 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.

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.

Probate
The review or testing of a will before a court (the Probate Court) to ensure that the will is authentic and the estate is distributed properly.

Real Property
Immovable property: land, together with all the property on it that cannot be moved, together with any attached rights.

Retirement Accounts
Qualified plans like IRAs and 401(k) accounts that permit individuals to accumulate savings tax-free for retirement. It is possible to make a planned gift by naming a charity as beneficiary of a retirement account.

Secondary Beneficiary
The person named in a gift agreement to receive the life income payments should the primary beneficiary predecease him or her.

Tangible Personal Property
Includes movable objects (e.g. china, jewelry , books, art, etc.) but does not include land, buildings, or other forms of real estate (real property—see above), or stocks, bonds, copyrights, cash, or other "intangible" personal property.

Testator
An individual who dies leaving a will or testament in force.

Will
The legal declaration of a person's wishes as to the disposition of the person's property, to be performed or take effect after the person's death.There are three basic categories of planned gifts.

Three basic types of planned giving, briefly described:

1. Bequest, or “Outright Gift of Appreciated Assets”
A planned gift is any major gift that is made as part of an overall financial and estate plan such as monetary donations, securities or stock, real estate, artwork, business affiliations, property, insurance or retirement plans.

2. Plans That Return Benefits
Planned gifts can “*give back*” to the donor for a time, providing extra income in retirement years or helping to fund educational expenses, elder care, and other needs of loved ones. For example a Charitable Gift Annuity is an agreement between a donor and a nonprofit organization. The donor gives the charity a lump sum of money for which the charity agrees to pay the donor an income as long as the donor lives. When the donor dies, any remaining money belongs to the charity.

3. Gifts Payable at Death
Donors may use estate and tax planning techniques to maximize the gift while minimizing its impact on the donor’s estate. Donors may give a variety of assets including retirement plans or business assets to minimize taxation both to the donor estate and the donor’s heirs.