

Glossary of Terms

There are hundreds of terms that can come into play during a review of planned giving methods and techniques. Here are a few of the most important definitions to know that you might find of interest.

- **Actuarial tables** — mortality tables (unisex or sex based) used by the IRS to calculate life expectancy
- **Alternative minimum tax** — alternative to regular income tax to insure individuals pay a minimum tax and cannot reduce their tax burden to zero by use of otherwise legal tax planning devices
- **Annuitant** — person receiving payments from a gift annuity
- **Applicable federal midterm rate (AFMR)** — interest rate used by the IRS as one factor to calculate the charitable deduction for certain life income gifts. The rate most often used in calculations is 120% of the federal midterm rate
- **Appreciated property** — asset that has increased in value since purchase
- **Bargain sale** — arrangement whereby person may sell appreciated property at a lower price than the fair market value (FMV) to a charity with the difference between the cost basis and FMV considered a tax-deductible charitable gift
- **Bequest** — a gift of personal property whether intangible (e.g. stocks, bonds) or tangible (e.g. furnishings, paintings, autos, cash) that the owner passes to another person at death
- **Capital gains** — the difference between the cost basis (usually purchase price) and the fair market value, assuming the FMV is higher
- **Cash surrender value** — amount of money received by a policy owner from a life insurance company when the owner cashes in the policy prior to the maturity date
- **Charitable deduction** — the amount a person may deduct from his/her federal income tax return for a gift to a qualified charity
- **Charitable gift annuity** — contract between donor and nonprofit organization or institution whereby donor makes irrevocable gift and in return receives fixed, lifetime payments
- **Charitable lead trust** — an irrevocable trust, for one or more lives or a term of years, which makes payments to a charity for a period of time with the trustor or other named person(s) receiving the property after the term expires
- **Charitable remainder annuity trust** — irrevocable trust that features fixed income based on a percentage value of the property given, abbreviated as “CRAT”
- **Charitable remainder unitrust** — irrevocable trust that features variable income based on a fixed percentage of the trust’s annual value, abbreviated as “CRUT”
- **Codicil** — a written and witnessed document that amends an existing will
- **Corpus** — the amount of principal in a trust or annuity
- **Cost basis** — amount paid for an asset, plus or minus costs for improvements, depreciation, etc.
- **Deferred gift** — gift that is irrevocably created by the donor yet not received by the nonprofit until a later, agreed-upon date or until some event, such as the donor’s death, occurs
- **Deferred payment gift annuity** — a gift annuity in which the donor makes the gift now but does not begin receiving payments until a later agreed-upon time set forth in the agreement
- **Disclosure Statement** — language which explains the workings of a charitable gift plan in understandable terms to donors or prospective donors. Such statements have been required by law for many years for pooled income funds. Since the Philanthropy Protection Act of 1995, formal and adequate disclosure is also required for certain charitable trusts and other similar plans
- **Dividends** — amount of income paid each year on a life insurance policy or share of stock
- **Endowment** — an asset pool held by a charity and invested to provide an annual income for the institution. “True” endowment is that which is restricted by the donor, and such funds may never be used for other purposes not specified by the donor unless a court ruling is obtained. “Quasi” endowment is that which is set aside at the discretion of the board. Such voluntarily created reserves may be tapped at some future date by subsequent board action
- **Estate tax** — tax payable from one’s estate at death
- **Executor** — male named in a will to administer the estate and to execute the terms of the will
- **Executrix** — female named in a will to administer the estate and to execute the terms of the will
- **Expectancy** — a gift that has been committed by a donor through his/her estate but is revocable prior to the donor's demise.
- **Fair market value (FMV)** — the amount an asset is worth if sold. Also described as the amount that a willing buyer would give a willing seller, neither being under any compulsion to buy or sell
- **Fiduciary** — a person or other entity acting on a legal and financial behalf for another
- **Generation skipping tax** — tax on certain significant gifts made from grandparent to grandchild
- **Gift tax** — tax due on gifts made during lifetime to non-charitable entities
- **Grantor** — person who creates and transfers property to a trust
- **Income beneficiary** — person who receives income from a life income plan

- **Intestate** — dying without a valid will
- **Irrevocable** — something which cannot be canceled or reversed
- **Life estate arrangement** — donor deeds his/her home to charity reserving the right to live on the property for life
- **Life income gift** — charitable gift that provides income payments to donor and/or one or more persons for life
- **Marital deduction** — amount of money an individual can transfer free of taxes to a spouse during lifetime or in his/her will or other estate plans
- **Ordinary income** — income other than (long-term) capital gain. Ordinary income can consist of income from wages, salaries, tips, commissions, bonuses and other types of compensation from employment, interest, dividends or net income from a sole proprietorship, partnership or LLC
- **Pooled income fund** — fund made up of gifts from a number of donors whereby donor receives pro-rata share of lifetime income. When donor dies or waives the income interest, charity receives donor's pro-rata portion of principal
- **Probate** — the proving (through the court) that a will is valid and the process of distributing assets subject to probate under the terms of a will or according to state law if no will is found
- **Residue** — amount left over after specific gifts have been made under the terms of a will
- **Revocable living trust** — trust which may be revoked by the the person who created it
- **Remainderman** — person or organization who receives the assets of a trust at the death of all beneficiaries or the expiration of the trust term if a term of years trust. Also known as the "remainder beneficiary"
- **Revocable** — something which can be canceled or revoked
- **Settlor** — person who creates or transfers property to a trust. Also known as "grantor" or "trustor"
- **Stock power** — a form that when executed transfers ownership of a security to someone else
- **Tax Reform Act of 1969** — sweeping legislation which among other things codified the qualified charitable remainder trust and the pooled income fund
- **Testamentary trust** — trust created in a person's will and certain other planning tools
- **Testator** — person making a valid will
- **Totten trust** — a form of joint ownership of a bank account in which a survivor beneficiary is named in bank documents to receive ownership of the account at the death of the primary owner
- **Trustee** — person or entity responsible for administering a trust
- **Will** — written record of a person's intent to distribute his/her assets at death

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