

GLOSSARY

“A” Trust – The surviving spouse’s portion of an A-B Trust. Also called marital trust or survivor’s trust.

A-B Trust – A trust that includes a tax-planning provision that lets you provide for your surviving spouse and keep control over who will receive your assets after your spouse dies. It also lets both spouses use their federal estate tax exemptions. This can save a substantial amount in estate taxes and leave more money for your beneficiaries. For example, in 2016, when the federal estate tax exemption is \$5.45 million, an A-B trust will let a married couple transfer up to \$10.9 million to their beneficiaries’ estate tax- free, saving up to \$2,000,000 in estate taxes.

Advance Health Care Directive - A written document in which one person (the principal) designates another person (the agent) to make medical decisions on the principal’s behalf when the principal is unable to make medical decisions for him or herself. The principal may also direct which decisions should be made in certain medical situations. This document was formerly known as a “Living Will.”

Annual Exclusion – Amount you can give (gift) someone each year without having to file a gift tax return or pay a gift tax. Currently \$14,000 per recipient (\$28,000 if married). The amount of tax-free gifts is tied to inflation and may increase from time to time.

Assets – Basically, anything you own, including your home and other real estate, bank accounts, life insurance, investments, furniture, jewelry, art, clothing, and collectibles.

“B” Trust – The deceased spouse’s portion of an A-B Trust. Also called credit shelter or bypass trust.

Basis - What you paid for an asset. The value that is used to determine gain or loss for income tax purposes.

Beneficiary – A person for whose benefit an estate plan is created.

Conservator - A person who has been appointed by the Court to make health care and/or financial decisions for an incapacitated adult.

Conservatorship – A court proceeding to appoint a conservator to oversee the financial, personal, and physical needs of an incapacitated protected person.

Corporate Trustee - An institution, generally a bank or trust company, that specializes in managing trusts.

Codicil – A written change or amendment to a Will.

Durable Power of Attorney for Financial Affairs - A legal document that gives another person full or limited legal authority to sign your name on your behalf in your absence. Valid through incapacity. Ends at death.

Durable Power of Attorney for Health Care - A legal document that lets you give someone else the authority to make health care decisions for you in the event you are unable to make them for yourself. Also called a health care proxy or medical power of attorney.

Estate - Assets and debts left by an individual at death.

Estate Taxes - The taxes imposed by the federal government on the transfer of assets at death.

Executor – (If female, “Executrix”) – The person or institution who is appointed in a will to take care of the funds and property after the death of the person making the will (also referred to as the “personal representative” of the estate). The executor functions under the jurisdiction of the probate court.

Fiduciary – The obligation to manage someone else’s assets in the same way a prudent person would manage his or her own assets.

Gift - A transfer from one individual to another without fair compensation.

Guardian – The person who has the legal duty to care for an unmarried minor child and/or manage the child’s property.

Heir – A person who inherits property.

Inheritance - The assets received from someone who has died.

Intestate – When a person dies without leaving a valid will or trust.

Inter vivos - Latin term that means "between the living." An inter vivos trust is created while you are living instead of after you die. A revocable living trust is an inter vivos trust.

Issue – All lineal descendants of a person (e.g., children, grandchildren, great-grandchildren, etc.).

Joint Tenancy – A co-ownership of property by two or more parties. When one party dies, his or her interest passes to the other co-owner (known as the “right of survivorship”).

Living Trust – A legal entity created by a person to own and manage his or her property. The terms of the living trust govern the use and disposition of the trust funds. “Living Trust” is sometimes confused with “Living Will.” Please refer to “Advance Health Care Directive” for a definition of “Living Will.”

Living Will - A written document that states you do not wish to be kept alive by artificial means when the illness or injury is terminal.

Medicaid - A federally-funded health care program for low income individuals and minor children. “Needs based program.”

Medicare - A federally-funded health care program, primarily for Americans over age 65 who are covered by Social Security or Railroad Retirement benefits.

Per Capita - A way of distributing your estate so that your surviving descendants will share equally, regardless of their generation.

Per Stirpes - A way of distributing your estate so that your surviving descendants will receive only what their immediate ancestor would have received if he/she had been living at your death.

Personal Representative - Another name for an executor or administrator.

Pour Over Will - A short Will often used with a living trust. It states that any assets left out of your living trust will become part of (*pour over* into) your trust upon your death.

Power of Attorney – A written document in which a person (the principal) designates another person (the agent) to manage the principal’s financial affairs while the principal is living.

Probate – The legal proceeding through which the court supervises the process of transferring a deceased person's assets to the persons or institutions entitled to receive them.

Revocable Living Trust – A living trust that can be changed or dissolved. This type of trust is in contrast to the Irrevocable Living Trust, which is one that cannot be changed or dissolved.

Settle an Estate - The process of handling the final affairs (valuation of assets, payment of debts and taxes, distribution of assets to Beneficiaries) after someone dies.

Special Needs Trust - Allows you to provide for a disabled loved one without interfering with government benefits.

Tenants-in-Common - A form of joint ownership in which two or more persons own the same property. At the death of a tenant-in-common, his/her share transfers to his/her heirs.

Tenants-by-the Entirety - A form of joint ownership in some states between husband and wife. When one spouse dies, his/her share of the asset automatically transfers to the surviving spouse.

Testator – (If female, “Testatrix”) – A person who makes a will.

Trust - An entity that holds assets for the benefit of certain other persons or entities.

Trust Company - An institution that specializes in managing trusts. Also called a corporate trustee.

Trustee – The person or institution that is responsible for managing and distributing money and other property held by a living trust.

Trustor/Settlor/Grantor – A person who establishes a trust.

Will – A written document that directs disposition of an estate after a person's death.