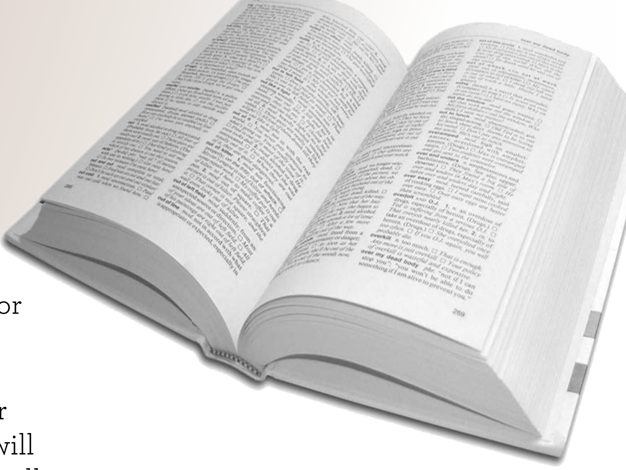
Pasadena SYMPHONY AND POPS

GLOSSARY of PLANNED GIVING TERMS



APPRECIATED ASSETS are 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 a taxable capital gain (either long-term or short-term depending on the holding period).

The **ATTORNEY** is the person licensed by the state to practice law and assist the executor, trustee, and guardian. It is conceivable that each could hire a separate attorney, but usually one attorney represents all three.

The **BASIS** is the tax purpose value of the property or asset used in establishing the potential capital gain amount.

A **BENEFICIARY** is the person and/or organization that receives the benefits (usually assets or income) of the trust.

A **BEQUEST** is a gift of property or assets to a beneficiary as defined in a will.

A **BYPASS TRUST** is set up to avoid or bypass the surviving spouse's estate, which enables each spouse to use the federal estate tax exemption.

The **CHARITABLE GIFT ANNUITY** offered through a charity is used by many to provide income for the annuitant and a second beneficiary, if any. The annuitant (the person providing funds to the charity) receives a contract or agreement from the charity which states that the charity will pay the annuitant a fixed income for life (lives) with payments to start immediately or at some set future time. Probate or court involvement is avoided on these funds. The income paid under the annuity is secured by the assets of the charity. See Benefits of the Gift Annuity for more details.

A **CHARITABLE LEAD TRUST** is almost the opposite of a charitable remainder trust. During the term or life of the charitable lead trust, an annuity or unitrust income interest is distributed each year to the designated charitable beneficiary and the assets are eventually transferred to the trustor's or grantor's designated non-charitable beneficiary (ies).

A **CHARITABLE REMAINDER ANNUITY TRUST** is a trust which is set up to pay a return or fixed annual percentage of 5 percent (or more) of the net fair market value of the assets placed in the trust. The trust assets are valued initially, at the time the property is placed in the trust. The trust assets are never revalued.

A **CHARITABLE REMAINDER UNITRUST** is a trust which is set up to pay a return or fixed annual percentage of 5 percent (or more) of the net fair market value of the assets placed in the trust. The trust assets are revalued annually.

A **CODICIL** is a written change or amendment made to a will.

The **EXECUTOR** is the person or institution named in a person's will who carries out the terms of the will.

The **GUARDIAN** is the person who is appointed by the Court to care for the person and/or estate of a minor child or incompetent person. One can nominate a guardian in a will, and though normally the court will honor that nomination, the Court has the right to agree or disagree.

JOINT TENANCY is 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.

A **LIFE INSURANCE TRUST** is usually set up for the purpose of excluding the proceeds of life insurance from the insured's and the spouse of the insured's estate for death tax purposes. It is an irrevocable trust.

A **LIVING TRUST** is a trust set up to operate during the life (and can operate after the death) of the one setting up the trust. It can be revocable, or, in other words, you can change your mind and have some or all of the trust property returned to you during your life. An irrevocable trust cannot be changed except in certain legal circumstances (fraud, unlawful agreements, merger of interests, decision of the Court). See Living Trust - Advantages/Disadvantages.

POOLED INCOME FUND - also called a Charitable Remainder Pooled Income Fund- is an investment fund much like a mutual fund. It is made up of transfers by many persons to the fund who receive life income interest in exchange for their transfers, based on the value of the transfer into the fund and based on the income earned by the fund.

PROBATE is the legal process of proving a will, appointing an executor, and settling an estate; but by custom, it has come to be understood as the legal process whereby a dead person's estate is administered and distributed.

A **QUALIFIED TERMINABLE INTEREST PROPERTY TRUST** (QTIP) is a trust often set up to avoid transfer tax on the first spouse's death. The deceased spouse establishes the ultimate disposition of the property, rather than the surviving spouse including the property in their estate. During their lifetime, the surviving spouse receives all income from the principal and, in some cases, has access to the principal.

A **RETAINED LIFE ESTATE** is a gift plan defined by federal tax law allowing the donation of a personal residence (to include a vacation home) or farm with the donor retaining the right to life enjoyment. A life estate may be retained for one or more lives or it may be retained for a term of years. All routine expenses - maintenance fees, property taxes, repairs, etc. - are the responsibility of the donor. The donor receives an income tax deduction for a significant portion of the value of the contributed property (the property is irrevocably deeded to the charity) and estate tax benefits.

TENANTS IN COMMON is a property ownership arrangement in which two or more persons own property jointly. It is not necessary that the ownership consist of equal shares or percentages of the property. Generally there is no right of survivorship when a co-owner dies. The share of the property belonging to the deceased co-owner passes to his or her heirs and the shares of the remaining original co-owners do not change.

TESTAMENTARY TRUST - A will can have a trust written into it, called a Testamentary Trust, which is set into motion by the Court after the will reaches a certain point of execution, and is used only after the death of the person whose estate it represents.

A **TRUST** is defined as any arrangement where property is to be held and administered by a trustee for the benefit of those for whom the trust was created. Depending on the type and how it is established, a trust may be revocable (changeable) or irrevocable (not changeable).

The **TRUSTEE** is the person or institution named by a person making the trust, or appointed by the court, to carry out the terms of the trust. Assuming a trust has been set up through a will, when the executor's job is finished, the trustee's job begins.

A **TRUSTOR** is the individual who establishes the trust. Also referred to as the GRANTOR and/or SETTLOR.

A **WILL** is the legal expression or declaration of a person's mind or wishes as to the disposition of the person's property, to be performed or take effect after the person's death.