

Estate Planning Glossary

Administrator: The person appointed by the court to manage your estate when you die without leaving a will. Since they are court appointed, they are required to post a bond as security. They have the same duties as an executor.

Applicable Credit Amount: An estate tax credit based upon the applicable exemption amount used to reduce the tax on transfers of property either during life (gift tax) or at death (estate tax). Created by the Taxpayer Relief Act of 1997, the applicable credit amount replaced the \$192,800 unified credit with a comparable credit which will gradually increase to \$345,800 in 2006.

Applicable Exemption Amount: A lifetime estate tax exemption used to calculate the applicable credit amount. Transfer of property up to the applicable exemption amount generally will be exempt from unified tax. The applicable exemption amount will gradually increase from \$650,000 in 1999 to \$1 million in 2006.

Attorney-in-fact: The individual who is designated in the power of attorney document to act on behalf of another.

Beneficiary: Someone who receives benefits or funds under a will or other contract, such as an insurance policy.

Community Property: Ten states (Alaska, Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin) use some form of the community property system to determine the interest of a husband and wife in property acquired during marriage.

Durable Power of Attorney: A written legal document that lets an individual designate another person to act on his or her behalf, even in the event the individual becomes disabled or incapacitated.

Durable Power of Attorney for Health Care: A written legal document that gives another person the authority to act on your behalf with regard to your health care decisions.

Estate: The property or assets you own or have rights to. Also commonly referred to as your possessions.

Estate Tax: A tax imposed at one's death on the transfer of most types of property.

Executor: The person named in your will to manage your estate. This person will collect the property, pay any debt, and distribute your property or assets according to your will.

Fiduciary: A person or institution legally responsible for the management, investment, and distributions of funds.

Grantor: The person who transfers assets into a trust for the benefit of another.

Gross Estate: The total property or assets held by an individual as defined for federal estate tax purposes.

Guardian: The person legally entrusted with the care of a minor child.

Incapacity: The lack of ability to act on your own behalf.

Inter vivos: A type of trust created during your lifetime to hold property for the benefit of another.

Intestacy, Intestate: The term applied when an individual dies without a will.

Irrevocable: Indicating something that cannot be changed or terminated.

Joint Tenancy with Right of Survivorship: A title that can be placed on property that is co-owned. At the death of one of the co-owners, the other will become the sole owner of the property, regardless of what may be conveyed in the will.

Living Trust: A revocable trust established by a grantor during his or her lifetime in which the grantor transfers some or all of his or her property into the trust.

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.

Marital Deduction: A deduction allowing for the unlimited transfer of any or all property from one spouse to the other generally free of estate and gift tax.

Minor Child: A person who has not yet reached the legal age of majority. This age can differ with each state, but generally is between 16 and 18 years. The term does not apply to an emancipated youth.

Power of Appointment: A right given to another in a written instrument, such as a will or trust, that allows the other to decide how to distribute your property. The power of appointment is "general" if it places no restrictions on who the distributees may be. A power is "limited" or "special" if it limits the eventual distributee.

Power of Attorney: A written legal document that gives an individual the authority to act for another.

Probate: The review or testing of a will before a court of law to ensure that it is authentic.

Representative: Someone who is authorized to act on your behalf, such as an executor or a trustee.

State Death or Inheritance Taxes: The tax imposed by the state in which you live and/or where your property is located, if different, on the transfer of that property to another at your death.

Testamentary Trust: A trust that is created upon your death by the terms of your will.

Trust: A written legal instrument created by a grantor during his or her lifetime or at death for the benefit of another.

Trustee: The person named in a trust document who will manage the property owned by the trust and distribute any income according to the document. A trustee can be an individual or a corporate fiduciary.

Unified Credit: An estate tax credit equal to \$192,800, which ultimately allows an exemption from tax on property transfers of up to \$600,000. The Taxpayer Relief Act of 1997 replaced the \$192,800 unified credit with the applicable exemption amount and corresponding applicable credit amount.

Will: A legal document directing the disposal of your property after your death.