



Jewish Community
OF GREATER
Foundation METROWEST NJ

GLOSSARY OF PLANNED GIVING & ENDOWMENT TERMS

501(c)(3)

The section of the tax code that defines nonprofit, charitable, tax-exempt organizations; 501 (c)(3) organizations are further defined as public charities, private operating foundations, and private non-operating foundations.

ANNUAL CAMPAIGN ENDOWMENT (ACE)

A permanent fund dedicated to perpetuating an annual campaign gift to the Jewish Federation of Greater MetroWest NJ Appeal beyond the donor's lifetime.

ANNUITY

A specified income, payable at stated intervals, for a fixed or contingent period, often for the lifetime of the recipient.

ANNUAL GIFT TAX EXCLUSION

A "present interest" gift of no more than \$13,000 which may be given by a donor (and an additional \$13,000 by the donor's spouse) to each of an unlimited number of individual donees (even unrelated), every year, free of federal gift tax. Qualified gifts to a spouse may be made in any amount due to the unlimited marital deduction.

APPRECIATED PROPERTY

Property (including stocks, bonds, mutual funds, real estate, etc.) that is worth more today than it was when purchased. Generally, donating appreciated property to a charity allows the donor to avoid, reduce or defer the realization of capital gains tax.

BASIS

Generally, a person's investment in property for income-tax purposes used in determining his/her taxable gain or loss upon a sale or exchange; it may be "stepped up" (increased) at death to the fair market value reported on the estate tax return (original cost).

BEQUEST

A gift by will of personal property; a legacy.

CAPITAL ASSET

For federal income tax purposes, the property held by a taxpayer (e.g., house, car, stock, bonds, etc.). However, property that the taxpayer creates, such as business inventory, crops, a painting, is considered ordinary income property, not capital gain property.

CAPITAL GAIN

The gain (or profit) realized on the sale or exchange of a capital asset.

CAPITAL GAINS TAX

Gain realized from the sale of property that has been held for more than one year is considered a capital gain and is subject to a capital gains tax. When a donor contributes such property to a qualified charitable organization, he/she avoids the capital gains tax.

CHALLENGE GRANT

An opportunity for a donor(s) to match the gift of others toward a campaign, possibly for a specific event or criteria.

CHARITABLE BEQUEST

Language in a donor's estate plans – typically in a will or trust – naming a charity as the beneficiary of an estate. Generally, a charitable bequest provides an estate tax deduction to the estate and is either a general bequest or a bequest to benefit a specific area of need or donor interest.

CHARITABLE DEDUCTION

An income, estate, or gift tax deduction allowed against certain transfers benefiting a qualified charitable organization.

CHARITABLE GIFT ANNUITY (CGA)

A contractual arrangement between a charity and a donor in which a person – typically the donor – known as an annuitant receives a fixed income for life. The income is based on an annuity rate determined by the annuitant's age and the amount of the donor's gift to charity. At the annuitant's passing, whatever remains from the original gift is used for charitable purposes. At the time the gift is made, the donor receives a charitable deduction for the present value (actuarially calculated) of the future gift to charity. Typically, a CGA may be created for a minimum gift of \$10,000 in cash or appreciated securities.

CHARITABLE LEAD TRUST

An agreement between a donor and a charity. The reverse of a charitable remainder trust: in a lead trust, the charity is the "up-front" recipient of an annual fixed percentage or sum for a specified period of time, after which the trust assets revert to the donor or designated beneficiary/beneficiaries. It allows property to be transferred to other individuals (often children or grandchildren) at a low transfer tax cost. It is particularly attractive when an individual has property with high-appreciation potential.

CHARITABLE REMAINDER TRUSTS (CRTs)

A trust that offers the donor an immediate income tax deduction while providing income to the donor or a donor's designees for life, joint lives, or a term of up to 20 years. Afterward, the remainder in the trust becomes the property of the charity. **Charitable Remainder Annuity Trusts (CRATs)** and **Charitable Remainder Unitrusts (CRUTs)** are types of CRTs. Typically, a CRAT or CRUT can be created for a minimum gift of \$100,000 during a donor's life or through his or her estate plans for the benefit of others. Unlike CRATs, CRUTs may accept additional donations after creation. However, while the CRAT provides a fixed income payment that does not change year to year, payments from a CRUT vary year to year depending on the value of the assets in the trust.

CLOSELY HELD STOCK

Stock in a "close corporation" where the shares are held by a single shareholder or closely-knit group of shareholders. Closely held stock generally is not publicly traded.

COMMUNITY FOUNDATION

A community foundation is a tax-exempt, nonprofit, autonomous, publicly supported, philanthropic institution composed primarily of permanent funds established by many separate donors for the long-term diverse, charitable benefit of the residents of a defined geographic area.

CORPUS

The property making up the principal of a trust, as opposed to the income it produces.

DEFERRED GIFT

A gift that a donor arranges in the present – by trust, will or other vehicle - from which the donor receives current benefits and which will be available to the charitable organization at a future date (simply put, the benefit to the charity is "deferred" for a period of time).

DESIGNATED FUND

A fund in which the donor designates the specific charitable uses or organizations to which the income and/or principal should be distributed.

DESIGNATED GIFT

Contributions designated to a specific project or program.

DEVISE/BEQUEST

Legal words to pass property under a will; devise refers to real property, bequest to personal property.

DEVISEE

A person to whom land or other real property is devised or given by will.

DOMICILE

The location (state or country) where a decedent's estate will be probated and taxed; generally requires residence with an intention to remain or return there.

DONOR ADVISED FUND (DAF)

A fund bearing the name of a donor or someone designated by the donor and maintained as a component fund of a charity. Also known as a Philanthropic Fund. It can be established by a gift of cash or property (minimum initial donation of \$10,000 at JCF) and by completing an agreement. The donor and/or others can make recommendations for distributions from the fund which are approved by the charity if they are to go to recognized charitable organizations that are within the scope of the charity's purposes. Initial and subsequent contributions are fully deductible as charitable contributions.

ENDOWMENT FUND

A fund that provides a permanent source of present and future income. The assets contributed to the fund are invested and the corpus is left intact; a fixed percentage of the fund's value is used for immediate purposes. This income can be used to fund any specified program or one's Annual Campaign gift in perpetuity (a so-called ACE, Lester or LOJE gift).

ESTATE

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

ESTATE TAX

A transfer tax imposed by the federal government and some states on the estate of a decedent. A tax on the privilege of transmitting property at death, payable from the estate.

EXECUTOR/EXECUTRIX

The person named by a decedent in his/her will to carry out the provisions of the will.

FAIR MARKET VALUE

What a willing buyer would pay a willing seller if neither were under any compulsion to buy or sell; the standard by which property is valued for estate tax and other purposes. The fair market value of a gift of a listed marketable security is the average of its high and low quotations on the date the gift is made. For assets whose worth is not publicly listed, an appraisal is usually required to ascertain the fair market value.

FIELD-OF-INTEREST FUND

A fund used for a specified area or purpose (e.g., care of the aged, Jewish education, etc.), giving the charity the discretion to name the beneficiaries.

FORM 990

The public record information return that certain nonprofits are required by law to submit annually to the Internal Revenue Service (IRS).

FUNDING CYCLE

A chronological pattern of proposal review, decision-making and applicant notification. Some donor organizations make grants at set intervals (quarterly, semi-annually, etc.), while others operate under an annual cycle.

GENERAL/OPERATING SUPPORT

A grant made to further the general purpose or work of an organization, rather than for a specific purpose or project; also called an unrestricted grant or basic support.

GENERATION-SKIPPING TAX

A tax, at the highest marginal estate and gift rate, that may apply if the ultimate transfer of property will be to or for the benefit of a "skip person" (e.g., grandchildren) in the amount in excess of the statutory threshold.

GIFT

A voluntary transfer of real or personal property to another made gratuitously and without consideration. Essential elements of a gift include: capacity of the donor; intention of the donor to make the gift; completed delivery to or for the benefit of the donee; and acceptance of the gift by the donee. A gift can be made during the donor's lifetime (inter-vivos) or by will (testamentary).

GIFT SPLITTING

A provision allowing a married couple to treat a gift made by one of them to a third party as having been one-half by each (with a gift tax return showing the other spouse's consent), generally for purposes of the "annual gift tax exclusion".

GIFT TAX

A transfer tax on the privilege of making irrevocable gifts, comparable to prepayment of a portion of the estate tax.

GRANTOR

The person who creates a trust (also settlor or trustor).

HERSKOWITZ SOCIETY

Honors donors making commitments of \$100,000 or more, current or deferred, to a JCF fund supporting academic excellence and affordability in our community's three Jewish day schools: Hebrew Academy of Morris County; Joseph Kushner Hebrew Academy/Rae Kushner Yeshiva High School; and Golda Och Academy of Essex and Union.

INCOME INTEREST

The right to receive the income from property.

INHERITANCE TAX

The tax imposed by a state on the privilege of receiving property from the deceased.

INTANGIBLE PROPERTY

Property which has no intrinsic or marketable value but rather is the representation or evidence of value, such as certificates of stock, bonds, promissory notes, franchises, etc.

INTER-VIVOS

Latin for "during life"; describes a transfer that is created and becomes operative during the grantor's lifetime.

INTESTATE/INTESTACY

Refers to a situation where, at death, with no valid will in effect, state statutes prescribe the distribution of the estate.

IRREVOCABLE TRUST

A trust that cannot be amended, modified, or terminated (except by the terms of the trust).

JOINT TENANCY

Co-ownership between two or more people with rights of survivorship such that a survivor automatically becomes the owner of a decedent's interest, thereby avoiding probate.

LEGACY

A gift of personal property under a will – also called a bequest – received by a legatee.

LEGATEE

A person to whom personal property is given under a will.

LESTER SOCIETY

Honors members of our community who have created endowments of \$100,000 or more with JCF for the benefit of the Jewish Federation of MetroWest NJ Annual Campaign.

LETTER OF INTENT

A signed letter indicating an intention to make a charitable contribution. It is non-binding; it creates no legal obligation.

LIFE ESTATE

The right to use and enjoy property and/or receive the income from the property for one's lifetime.

LIFE INCOME PLAN

A plan that provides life income to a donor with the "remainder" going to charity.

LIFE INSURANCE

A commonly used financial, estate planning and charitable giving tool. It may provide an easy and relatively inexpensive means of creating a significant endowment fund. Typically, gifts of insurance are created in one of three ways:

- (1) The charity purchases a life insurance policy for which it will be the owner and beneficiary and the donor is the insured. The donor makes contributions to the charity to defray the cost of premiums and receives an income tax deduction for those contributions.
- (2) The donor gives a policy he or she already owns to the charity, receiving an income tax deduction for the fair market value of the policy. As with #1, the donor typically makes contributions to the charity to defray the cost of premiums.
- (3) The donor names the charity as a beneficiary – in whole or in part – of a life insurance policy he or she owns.

LION OF JUDAH ENDOWMENT (LOJE)

Honors women in our community who have created endowments of \$100,000 or more for the benefit of Women's Philanthropy of Jewish Federation of MetroWest NJ Annual Campaign. LOJEs are members of the Lester Society.

LIVING TRUST

A trust established during the lifetime of the grantor (sometimes referred to as an inter-vivos or revocable trust).

MARITAL DEDUCTION

The right of a surviving spouse to receive all of the marital property free from federal estate taxes via a 100% marital deduction.

MARITAL (DEDUCTION) TRUST

A trust consisting of property for the benefit of the surviving spouse and qualifying for the marital deduction also referred to as a QTIP Trust.

METROWEST TOMORROW SOCIETY

Honors members of our community who have created endowments of \$100,000 or more at JCF to benefit a MetroWest synagogue, agency, program or area of interest.

ORDINARY INCOME

For Federal Income Tax purposes, ordinary income includes wages, earnings, dividends, interest, and any gain from the sale or exchange of property which is not a capital asset.

PER CAPITA

Latin for “by the head”; describes an inheritance in equal shares (such as between children and grandchildren) without representation.

PER STIRPES

Describes an inheritance that is payable to the children of a pre-deceased legatee.

PHILANTHROPIC FUND

See Donor Advised Fund.

PLANNED GIFT

A gift that is “customized” to the needs and objectives of an individual donor to help that donor maximize his/her gift to charity and realize personal, financial, and tax benefits.

POOLED INCOME FUND

A charitable trust in which gifts of cash or marketable securities are commingled for investment purposes with those of other donors. The donor and/or any person designated is paid his/her pro-rata share of all the income earned annually by the trust. After the death of the income beneficiary/beneficiaries, the donor’s gift is removed from the pool and goes to the charity that sponsors the trust.

PRESENT INTEREST

Property interests involving the immediate right of possession or enjoyment.

PRIVATE FOUNDATION

A non-governmental, nonprofit organization with funds (usually from a single source, such as an individual, family, or corporation), programs and grant-making managed by its own trustees.

PROBATE

The act or process of proving a will.

PROBATE ASSETS

Generally, all assets of a decedent, except for life insurance not payable to the estate and property held jointly with the right of survivorship.

PROBATE ESTATE

The property that is disposed of under a decedent’s will.

QUALIFIED TERMINABLE INTEREST PROPERTY (QTIP)

Property in which the surviving spouse has a lifetime interest but which qualifies for the marital deduction.

REMAINDER

The interest in property that will be received by the remainderman after the interest of someone with a life estate or term of years has expired.

REMAINDER INTEREST

The right to receive property after all intervening income interests have expired.

RESIDUARY

The balance of the decedent’s estate, subject to disposition under the will, after specific bequests have been distributed.

RESIDUARY ESTATE

That property which remains after debts and expenses of administration, legacies, and devises have been satisfied.

RESTRICTED FUND

A fund to be used for a specific purpose (or purposes) designated by the donor.

RETIREMENT ASSETS

Any asset or account used to provide income during retirement. Examples include Individual Retirement Accounts (IRAs), 401(k) plans, 403(b) plans, SEPs, etc. Generally, retirement assets are among the most heavily taxed assets in an individual's estate, due to the combined impact of the estate and income taxes due on the account. Naming a charity as the beneficiary of such an account and leaving other assets to heirs may provide significant tax advantages to donors.

REVOCAABLE TRUST

A trust that can be amended, modified, or terminated by the donor or other(s) designated by him/her and which is generally not eligible for an income-tax charitable deduction.

SETTLOR

The person who creates a trust (also grantor or trustor).

SPENDING RATE

Refers to the amount that a charity distributes annually from endowment funds. Sometimes referred to as "income". For example, a charity may define income as 5% of the average ending balance in a fund over the previous 13 quarters. By averaging the balances in this manner, greater consistency is achieved in the amount of distributions irrespective of changes in the value of the fund.

SUPPLEMENTAL GIFTS

Contributions made in addition to a donor's annual unrestricted gift to a charity to support special projects and initiatives.

SUPPORTING FOUNDATION

Separate corporation or trust that has public charity status because of its connection with and support of a named public charity. The donor or his/her appointees make up the minority of directors (trustees) and can participate in all operational decisions of the foundation, which can bear the donor's name.

TANGIBLE PERSONAL PROPERTY

Movable property (as opposed to real property, which is fixed), such as works of art, collectibles, jewelry, gems, musical instruments, manuscripts, etc., which themselves represent value. Tax rates on these assets, when sold for a gain, are higher than those for capital assets, thus making them interesting assets to consider for charitable donations.

TAXABLE ESTATE

An amount determined by subtracting the allowable deductions from the gross estate. (All that a decedent owns – or has an interest in – that is not exempt from estate taxes).

TESTAMENTARY

Established under a will to take effect at death.

TESTAMENTARY TRUST

A trust established by an individual by will to take effect at his/her death. An inter-vivos trust is a trust that is established and takes effect during one's lifetime.

TESTATOR

A person who dies leaving a will; feminine, testatrix (as opposed to one who dies intestate).

TRUST

A legal entity in which property is transferred with the intention that it be administered by one party -- the trustee – for the benefit of another.

TRUST TERM

The length of time during which a trust is in existence (it may be for a specified number of years, or for the lifetime of one or more named individuals).

TRUSTEE

One who holds the legal title to real or personal property that he/she/it manages for the benefit of another.

TRUSTOR

The person who creates a trust (also settlor or grantor).

UNRESTRICTED FUND

Allows a charity to use funds where they are most needed, providing the flexibility needed to address changing needs or emergency situations.

UNIFIED CREDIT

A dollar figure that is a credit against the federal estate and/or gift tax.

WILL

A written instrument taking effect at the death of the testator, disposing of his/her property. To be legally effective, the will must be written in compliance with the laws of the state in which the testator is domiciled at the time of its execution or where his/her real property is located.

For more information, please contact:

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