



Glossary of Charitable Giving Terms

(Adapted, revised and updated based on material presented in *Planned Giving for Canadians*, by Frank Minton and Lorna Somers, 2nd Edition, 1997).

Below are definitions of many of the estate planning and fund-raising terms that professional advisors might typically encounter in the course of their professional work.

adjusted cost base (or basis)

the amount paid for property, increased by capital improvements and decreased by depreciation.

administrator

the person appointed by the court to settle an estate when a person has died without a valid will.

annual gift

a donation made each year, usually with few restrictions. Increasingly, the term *regular gift* is substituted as it better conveys the idea of periodic giving throughout an annual cycle.

annuity

a contracted right to receive payments of a specific amount at stated intervals in life, or for a term of years, in consideration of a transfer of cash or other assets.

appreciated property

property, such as securities, real estate, and artworks, whose current fair market value (FMV) exceeds the purchase price.

beneficiary

the person or organization that receives a bequest under a will, death benefits from a life insurance policy, or payments from a trust.

bequeath

to leave property to a beneficiary by means of a will.

bequest

a gift of property through a will to a particular beneficiary. Also called a *legacy*.

CAGP

acronym for the Canadian Association of Gift Planners, the association of gift planners and professional advisors

capital

with reference to a trust, the principal upon which income is earned. Also called *corpus* in legal documents.

capital campaign

an intensive effort undertaken by an organization to meet a *specified* financial goal for *specified* projects/purposes (such as capital expansion, building endowment, etc.), to be completed within a *specified* time period.

**capital gain or loss**

the profit or loss resulting from the sale or other disposition of a capital asset.

carryback

the portion of a donation receipt issued for a testamentary gift, and not used on the decedent's terminal tax return, that can be claimed (subject to allowable limitations) on the return for the year preceding the year of the decedent's death.

carryover

the portion of a donation receipt not used in the current year and carried forward for use in succeeding years.

cash surrender value

the cash paid by an insurance company to the owner of a policy when the policy is terminated prior to the death of the insured.

certified cultural property

an artwork, artifact, or structure that, if approved by the Canadian Cultural Property Export Review Board, qualifies for special tax treatment when donated to a qualified charity.

charitable gift annuity

a fixed sum of money paid by a charity, at certain intervals, for the life of the annuitant(s), or for a term of years, in exchange for a donation of cash or other property.

charitable remainder trust

an *irrevocable* trust that pays income to one or more individual beneficiaries for life or a term of years, and then distributes the remaining assets to one or more charities.

codicil

an addition or amendment to a will.

contingent bequest

a testamentary gift that takes place only if the testator is not survived by certain individuals or if other stated conditions are not met.

corpus

the principal or capital of a trust.

cultivation

to maintain, and possibly increase, the interest of a prospect in a charity's programmes preparatory to the solicitation of a gift.

death benefit

the amount payable by an insurance company to the beneficiary(ies) at the death of the insured.

decedent

a person who has recently died and whose estate is in process of being settled.

deed

a document used for transferring the *ownership* of real estate.

**deed of gift**

a document used for transferring personal property.

deferred gift

any charitable gift arrangement where the charity's use of the asset is delayed to some future time.

depreciation

with reference to property, the process of being worn out or becoming obsolete. Certain types of property qualify for depreciation deductions, also known as *capital cost allowances (CCA)*.

disbursement quota (DQ)

the required amount of receipted donations that charities must spend each year for charitable purposes.

discount rate

the assumed interest rate when computing present or future value. It is used to determine the donation receipt for establishing a charitable remainder trust, or for giving a residual interest in property.

donee

the recipient of a gift.

donor

a person, corporation, foundation, or other organization that makes a gift.

donor-advised fund (DAF)

A Donor-advised Fund, established within a community foundation, enables individuals with philanthropic interests to plan their charitable giving, as well as maximize its impact. Donors can recommend grants to a charity requesting that funds be disbursed to support other charities and worthwhile projects of their choice, based on their own preferences and timetable. Generally, donors cannot make recommendations on how gift contributions should be invested to increase the charitable giving power of the fund, as this task is usually the responsibility of the foundation's Investment Committee, as delegated by the Board of Directors. See also **charitable gift fund (CGF)**.

endowed fund agreement

a document describing the name, purpose, funding and administration of an endowment, normally negotiated between and signed by the donor and the charity.

endowment

a principal sum, permanently set aside and invested by a charity, with only the income used for charitable purposes.

estate

everything that a person owns or has an interest in.

estate trustee

another name for executor/trix.

**executor / executrix**

the person or institution (such as a trust company) named in a will to carry out the terms of the will.

fair market value (FMV)

the price at which a fully-informed seller, who is under no compulsion to sell, would be willing to sell an asset to a fully-informed buyer, who is under no compulsion to buy.

gift-in-kind (GIK)

a gift of property other than cash (e.g., a gift of securities, real estate, or art).

insured annuity

a combination of a prescribed annuity and life insurance policy.

inter vivos gift

a gift made during a donor's lifetime.

inter vivos trust

a trust created by an individual during his or her lifetime.

interest-free loan

a loan (sometimes made to a charity) on which a lender receives no interest.

intestate

to die without having executed a valid will.

irrevocable trust

a trust that cannot be terminated or changed by the person creating it.

legacy

a designation of property under a will. Also called a *bequest*.

life interest

the right to use property or receive income from a trust for the duration of one's lifetime.

major gift

a large donation, often given for a designated purpose in response to a special solicitation. The amount required to qualify as a *major gift* varies by organization.

named endowment

an endowed fund, named for the donor or another person the donor chooses to honour, the income from which is usually used for a designated purpose. Named endowments are normally commingled with the funds of other endowments for investment purposes, but accounted for separately in the charity's financial records.

Notary

in Quebec, a person with legal authority to draft a will.

outright gift

a gift in which the donor retains no interest and which may be used by the charity now. Also called a *present gift*.

pooled income fund

a type of U.S. charitable remainder trust where the contributions of donors are commingled, and each income beneficiary receives a pro rata share of the net income.

**power to vary clause**

language in an endowment or other gift agreement that permits the stated purpose of a gift to be amended if circumstances change.

present gift

a gift which is available for the charity to use now. Also called an *outright gift*.

present value (PV)

the sum of money which, if invested at a certain rate of compound interest, will accumulate to a certain value by a specified date. In the case of a charitable remainder trust or a gift of residual interest, the amount for which a donation receipt may be issued.

private foundation

a foundation which receives most of its funds from a single source, whose directors do not deal at arm's length with each other, and which makes grants to registered charities.

probate

the court-supervised process of validating a will and administering an estate in accordance with the terms of the will.

probate duty (or fee)

a tax levied in most provinces on the gross estate of decedents.

recognition

the various ways a charity expresses appreciation for a gift.

reinsured gift annuity

a charitable gift annuity where the charity uses a portion of the contribution to purchase an annuity from an insurance company that will pay the amount promised to the annuitant(s). The portion of the contribution not used to purchase the annuity can be retained and used by the charity. Also called a *gift plus annuity*.

remainder interest

the right to receive the remaining property when a trust terminates.

residual bequest

a testamentary gift of all or a percentage of what remains of the estate after paying other bequests and expenses.

residual interest

the right to receive property when the rights of one or more persons to use the property have expired.

residuum

the amount of the original contribution retained by the charity after satisfying all gift annuity payment obligations.

revocable trust

a trust that can be terminated or changed by the person creating it.

self-insured gift annuity

a charitable gift annuity where the charity invests the contributed property and assumes the obligation to make payments to annuitant(s).

**settlor**

the person who creates a trust. Also called *trustor*.

specific bequest

a testamentary gift of a specific amount of money or of particular property.

spousal trust

a trust established by one spouse to provide income for another. Taxation of gain in property transferred to a spousal trust is deferred until the disposition of the property or termination of the trust.

stewardship

the process by which a charitable institution acknowledges gifts, recognizes donors, honours donor intent, and invests and uses gifts prudently. It also conveys the sense of ongoing “nurturing” of the donor relationship over time.

surtax

an additional tax, which is often a percentage of a basic tax already charged.

tangible property (also “tangible personal property”)

property other than cash, securities and real estate. Examples are automobiles, paintings, musical instruments and furniture.

target marketing

the act of directing a concerted marketing effort to a group of potential donors who have certain characteristics in common.

tax credit

the amount that may be subtracted from the tax otherwise due.

tax deduction

the amount that may be subtracted from income when calculating income tax, or (in the U.S.) from the adjusted gross estate when calculating estate tax or from the amount of the gift when calculating the gift tax.

tax rate

percentage of tax to be paid on a certain level of income. Tax rates depend on the amount of taxable income.

term insurance

written for a specific period and pays a death benefit if the insured dies within that time period.

terminal income tax return

the income tax return filed by an executor for the year of a decedent’s death, including income from January 1 to the date of death plus taxable gain recognized at the time of death.

testamentary gift

a gift made under the will of a donor. Also called a *bequest*.

testamentary trust

a trust created under the will of an individual, which begins at the death of that individual.

**testate**

to die having executed a valid will.

testator

a person who has died with a valid will.

trust

an arrangement under which an individual (the settlor) transfers property to a person or institution (the trustee) to be managed for the benefit of one or more beneficiaries.

trust indenture

a document used for giving a residual interest in property.

trustee

the person or institution that holds legal title to property in a trust and has responsibility for managing it.

trustor

the person who creates a trust. Also called *settlor*.

universal life insurance

a combination of yearly renewable term insurance and a tax-deferred investment account. It pays a death benefit and builds up cash value, but the amount of cash value depends on the performance of investments that have been selected by the policy owner. Offers less guarantees than traditional whole life insurance policies.

volunteer

one who works without compensation for a charitable organization.

whole life insurance

a policy that remains in force for the entire life of the insured so long as premiums (usually level) are paid. A whole life insurance policy builds up cash value, usually with minimum guarantees.

will

a legal declaration of how a person's property is to be distributed at death.

will contest

a challenge to the validity of a will based on various grounds (ie. competency of executor, etc.)