

Term	Definition
A-B Trust	A revocable trust created by a married couple while both are living which calls for the division of the overall trust estate into two parts upon the death of the first spouse. The first part, known as the "A" trust, contains the surviving spouse's separate property, if any, and the surviving spouse's half of the community property. The second part, known as the "B" trust, contains the deceased spouse's separate property, if any, and the deceased spouse's half of the community property. However, if the total value of such property exceeds the federal estate tax exemption amount in the year of the deceased spouse's death, any excess is allocated to the "A" trust. The "B" trust assets can be made available to the surviving spouse during his or her lifetime. Also see survivor's trust (another name for the "A" trust), bypass trust and decedent's trust (other names for the "B" trust).
A-B-C	Trust A revocable trust created by a married couple while both are living which calls for the division of the overall trust estate into three parts upon the death of the first spouse. The first part, known as the "A" trust, contains the surviving spouse's separate property, if any, and the surviving spouse's half of the community property. The second part, known as the "B" trust contains the deceased spouse's separate property, if any, and the deceased spouse's half of the community property, unless the total value of such property would exceed the federal estate tax exemption amount in the year of the deceased spouse's death. The deceased spouse's separate property and the deceased spouse's half of the community in excess of the federal estate tax exemption is placed in the "C" trust, which is also known as the QTIP Trust. The "B" trust and "C" trust assets can be made available to the surviving spouse during his or her lifetime.
Administrator	The name given to the person or entity in charge of a deceased person's probate estate when the deceased person died without a Will. Also see Executor.
Advance Health Care Directive	A legal document in which a person states his or her wishes concerning health care in the event of mental incapacity (such that the person cannot make his or her own medical decisions at the time) and which appoints an agent to carry out those wishes. This document is often called a health care power of attorney.
Affidavit-Change of Trustee	A document which is recorded to remove a trustee's name from title to real estate when that trustee is removed as trustee of a trust for a reason other than the trustee's death, such as in the case of incapacity. The document is recorded with the County Recorder of the County in which the real estate is located.
Affidavit-Death of Trustee	A document which is recorded following the death of the trustee of a trust to remove the deceased trustee's name from title to real estate. The document is recorded with the County Recorder of the County in which the real estate is located.
Agent	A person acting on behalf of another person (the principal), usually under a document known as a power of attorney. Also see power of attorney.
Ancillary Probate	A probate proceeding in a state other than the state of decedent's domicile, usually because real estate is situated in that state and is subject to local law. Also see probate.

Term	Definition
Annual Gift Tax Exclusion	The amount which can be transferred in a year from one person to another without any gift tax implications. Under current law, the annual gift tax exclusion is subject to annual increases based upon inflation. Also see gift tax.
Annuity Trust	One of the two major types of charitable remainder trusts. In an annuity trust, the income stream which is paid to one or more individuals during their lifetime(s) is a set amount. Also see charitable remainder trust and unitrust (the other type of charitable remainder trust).
Attorney at Law	A person authorized to practice law in his or her respective state and thus permitted to give legal advice, draft legal documents, and represent clients in courts of law.
Attorney-in-fact	Synonymous with agent, the term used in a financial power of attorney to refer to the person named to handle the signer's (the principal) financial affairs.
Basis	In general, the acquisition value of an appreciating or depreciating asset, often the purchase price of the asset, which is used as the starting point in determining whether a gain or a loss resulted upon the subsequent sale of the asset.
Beneficiary	A person or entity that is named to receive the assets of an estate or trust, or the proceeds of an account, life insurance policy, individual retirement account or annuity upon the death of another.
Bequest	The transfer of cash or personal property items made by a Will or a Trust to a person or charity.
Buy-Sell Agreement	An arrangement which provides for the disposition of a business owner's share of a business upon the death or disability of the business owner.
Bypass Trust	See decedent's trust.
Capital Gain or Loss	For income tax purposes, the difference between the price at which an asset was sold and its basis. If an asset is sold for more than its basis, there is a capital gain. If an asset is sold for less than its basis, there is a capital loss. Also see Basis.
Certificate of Trust	A document which verifies a trust's existence, summarizes the trustee's powers, and identifies the successor trustees. In most cases, the certificate of trust may be substituted for the trust itself (thus protecting privacy) when a copy of the trust is requested by a third party, such as a title company, a bank, or a brokerage firm, in connection with registering assets in the name of the trust.
Charitable Deduction	The gift and estate tax deduction for transfers to charity. The federal charitable deduction is unlimited. However, the amount which can be deducted each year for income tax purposes is limited depending on whether the gift to charity is cash or something other than cash.

Term	Definition
Charitable Remainder Trust	A type of irrevocable trust expressly authorized by the federal tax code. In this type of trust one or more individuals (the donor) receives an income stream for life and the balance goes to a charity when the trust terminates, normally at the death of the income recipient. There are two major advantages to a charitable remainder trust; (1) it allows a present income tax deduction for the future gift to charity; and (2) assets can be sold during lifetime with little or no income tax consequences. Also see annuity trust and unitrust.
Closely Held Corporation	A type of corporation owned and controlled by a limited number of shareholders, whose stock is not registered or publicly traded.
Codicil	An amendment to a Last Will and Testament. It must be executed with the same formalities as a Will, unless the document is completely in the handwriting of the testator.
Community Property	A form of property ownership for assets acquired during marriage by a husband and wife who live in a community property state (California, Arizona, New Mexico, Texas, Washington, Wisconsin, Idaho, Louisiana, or Nevada). The major advantage of community property is the adjustment to (or step up in basis to) the surviving spouse's share of the community property, as well as the decedent's share at the death of the first spouse. In non-community property states, only the decedent's share of the estate receives a new basis. Also see sole and separate property.
Complex Trust	An income tax term describing an irrevocable trust which permits the trustee to use its discretion to distribute or accumulate income. Also see simple trust.
Conservator	A person who is appointed by a court to manage the financial affairs of an incapacitated adult.
Conservatorship	A court proceeding to determine whether an adult is incompetent and, if so, to appoint a person, known as a conservator, to manage the assets of that incompetent person subject to court supervision.
Corpus or Trust	The assets held in a trust (also known as trust res, trust estate Corpus or trust property).
Co-Trustee	Two or more persons who act as trustee at the same time. Any number of persons or entities may be named as co-trustees. Unless the governing trust document says otherwise, all co-trustees must act together on every trust transaction.
Credit Shelter Trust	See decedent's trust and unified credit.
Crummey Letter	A written notice given to a beneficiary of an irrevocable trust telling him or her of a gift to the trust and of his or her right to withdraw the gift from the trust. This notice is required when the donor making the gift wishes to use his or her annual gift tax exclusion. If a Crummey letter is not given, the gift will not qualify for the donor's annual tax exclusion. Instead, it will use up part of the donor's unified credit or be taxable. Also see gift tax.

Term	Definition
Custodian	An adult person who serves under the Uniform Transfers to Minors Act (UTMA) as a fiduciary for the assets of a minor or other young person. UTMA's usually terminate when the minor reaches age 18. However, in California, the time for transfer can be extended until age 25, if so specified when the account is created. Custodians must use funds only for the minor/young person. Since the UTMA funds already belong to the donee, they are not part of the donor's estate, unless the donor is serving as custodian.
Death Tax	Generally, any tax payable solely as a result of a person's death. Also see estate tax and inheritance tax.
Death Trustee	A person or entity who is named to administer a trust following the death of the Trustmaker, or in the case of married couples, upon the death of both Trustmakers. Also see Trustee.
Decedent's Trust	A trust created upon a married person's death to shelter his or her unified credit amount for federal estate tax purposes. This trust normally allows a surviving spouse to benefit from the deceased person's assets for life, without including the assets in this trust in the taxable estate of the surviving spouse.
Declaration of Trust	See trust.
Deed of Trust	Similar to a mortgage since it evidences the obligation to repay a loan secured by real estate. Under the theory of a deed of trust, the property owner theoretically transfers the title to a trustee for the benefit of the lender. In the event of a default, it is easier to foreclose upon than a standard mortgage
Disability Panel	A group or committee of people named in a Life Plan TM trust agreement who have the responsibility of determining whether a Trustmaker is no longer able to effectively manage the assets of a trust, as trustee, due to a mental or physical disability.
Disability Trustee	A person who is named in a Life Plan TM to administer the trust assets during the period of time in which at least one.
Disclaimer	A legal refusal to accept an inheritance or a gift so it can pass to the next person in line.
Domicile	The state where an individual is deemed to reside at the time of his or her death; the state of domicile determines which state's laws govern that person's estate. The legal definition of domicile is subjective: the place where you intend to remain indefinitely. It is determined by such factors as where you spend your time, where you pay your income taxes, what your Will says, where you obtain your driver's license, and where you register to vote. A person generally has only one domicile
Donor	See grantor.
Durable Power of Attorney	A power of attorney which endures after the person who signs the document (the principal) becomes mentally incapacitated. For a power of attorney to be "durable" language to the effect that the power either survives, or becomes effective upon, the signor's incapacity must be included in the document. Also see power of attorney.

Term	Definition
ERISA	The acronym for the Employee Retirement Income Security Act of 1974, a federal law which established the rules and regulations for certain types of employee benefit plans, especially qualified retirement plans maintained by employers.
Estate	All assets owned or controlled by an individual at the time of his or her death, which are subject to the federal estate tax rules. A person's estate includes life insurance proceeds if the insured decedent had any incident of ownership at the time of his or her death or within three years of his or her death.
Estate Tax	A tax on a deceased person's assets (estate) imposed by the federal and/or state government when those assets exceed a predetermined, allowable amount. The allowable amount is established by congress. Assets in excess of that amount are taxed at rates established under the Internal Revenue Code. Also see estate, death tax and unified credit.
Executor	The name given to the person or entity that is in charge of deceased person's probate estate as named under the deceased person's Last Will and Testament. Also see personal representative.
Family Limited Partnership	A complex, sophisticated estate planning arrangement usually designed to keep control of certain assets in the family and to provide discounted values for estate tax purposes for the owners who retain limited partnership interests.
Fiduciary	A person who is in charge of another person's assets. Examples of a fiduciary include a trustee of a trust, an agent acting under a power of attorney, a guardian or conservator serving under a court appointment, and a personal representative of a deceased person's estate. Also see fiduciary duty.
Fiduciary Duty	An obligation to act solely in the best interest of another party while in charge of that party's affairs. For instance, a corporation's board member has a fiduciary duty to the shareholders, a trustee has a fiduciary duty to the trust's beneficiaries, and an attorney has a fiduciary duty to a client.
Financial Power of Attorney	See power of attorney.
Flower Bond	A special bond issued by the United States government which may be redeemed at par value in the payment of federal estate taxes, even though the bond hasn't reached maturity. Flower bonds have not been issued for many years and very few are still in existence.
Form 706	The form number for the Federal Estate Tax Return, a federal tax return due within nine months after the death of a person whose gross estate is equal to, or greater than, the unified credit applicable to the year of the person's death.
Funded Trust	A trust which holds the trust creator's assets. To fund a trust means to transfer or register assets in the name of the trust. A revocable living trust which is fully funded holds all the trust creator's assets allowed by law.
Funding	The process of transferring or registering assets into the name of a living trust during the lifetime of the person or persons who established the trust.

Term	Definition
General Power of Appointment	The right of a trust beneficiary to transfer property at the beneficiary's death to one of the following: the beneficiary, the beneficiary's estate, the beneficiary's creditors or the creditors of the beneficiary's estate. This provision is included in a trust to avoid a generation skipping transfer at the death of the beneficiary, which would expose those assets to the potential imposition of a federal generation skipping transfer tax.
General Power of Attorney	See power of attorney.
Generation Skipping Transfer Tax	A federal tax on a generation skipping transfer. Each person has an exclusion of a predetermined amount, depending on the year in which the person died. The generation skipping transfer tax exclusion may be used during lifetime (by making a gift to a grandchild or other "skip" person and allocating all or some of the exemption to the gift) or at death (by leaving assets to a grandchild or other "skip" person and having the executor allocate all or part of the exemption to the gift). The tax applies only to the excess after the exclusion is used up. Also see generation skipping transfer.
Gift	A federal tax imposed on a lifetime transfer of assets from one person to someone other than a spouse or charity. However, each year a predetermined amount may be "gifted" without any tax ramifications. In addition, an individual may also use up his or her unified credit on lifetime gifts.
Grantor	A person who creates a trust or transfers property to a trust (also known as a trustor, trustmaker, settlor, donor, or trust creator).
Grantor Trust	An income tax term describing a trust whose income and/or capital gain is taxed to the trust creator (even though the trust may be irrevocable).
Guardian	(1) a person who is named under a will to be legally responsible for a minor child; (2) a person who is appointed by the court to serve in that capacity.
Health Care Power of Attorney	See advance health care directive.
Heir	Technically, a person who inherits under a state's law of intestacy, in the absence of a valid will or trust governing disposition of a decedent's assets. Informally, any person who receives an inheritance.
HIPAA	The acronym for the Health Insurance Portability and Accountability Act, a federal law which, among other things, prohibits the disclosure by anyone, including a physician, of a person's medical records, medical information and/or medical condition without prior written permission.
Holographic Will	A legal document, entirely in the handwriting of a person, which indicates the disposition of that person's assets upon death. Unlike most Wills, a Holographic Will need not be witnessed to be valid.

Term	Definition
I.T.F.	The acronym for "in trust for" which is often used on a bank account to transfer the account free of probate. If an individual has created a living trust, this form of title is usually not used. The reason is if a bank account will avoid probate but, unlike the "I.T.F." account, the bank account is accessible when the owner of the account becomes disabled. See P.O.D.
Incident of Ownership	An estate tax term which describes the control by the insured over a life insurance policy on himself or herself. Examples of incidents of ownership are the right to name or change the beneficiary, the right to borrow cash value, the right to exercise any policy option (such as the use of dividends to buy paid-up additions) and the right to surrender the policy. If the insured person has one or more incidents of ownership, the value of the insurance policy will be included in the taxable estate of the decedent for federal estate tax purposes.
Individual Retirement Account (IRA)	An individual retirement arrangement which provides workers and their spouses with the ability to save for retirement on a tax-deferred basis. For some participants, contributions to traditional IRA accounts may be income tax deductible in the year in which the contributions are made.
Inheritance Tax	A state tax on a person who receives an inheritance. California does not have a state inheritance tax. Also see death tax.
Inter Vivos Trust	A trust which is created and exists during a person's lifetime. Also known as a living trust. Also see testamentary trust.
Intestate	A person who dies without a will is said to die intestate. In such case, the state law determines the disposition of the decedent's assets. The opposite of testate.
Irrevocable Life Insurance Trust (ILIT)	An irrevocable trust which is intended to hold life insurance as its only asset. The donor usually makes periodic cash gifts to the trust and the trust purchases and pays the premiums for life insurance on the donor. Placing an existing policy or purchasing a new life insurance policy in this manner will ensure that the insurance policy proceeds will be free from estate taxes at the donor's death. Also see Crummey letter.
Irrevocable Trust	A trust which may not be amended or revoked. A revocable trust usually becomes irrevocable when the original trust maker dies.
Joint Tenants	Two or more persons who own property (real estate or personal property) together. By operation of law, when one dies, that joint tenant's interest automatically transfers to the surviving joint tenant.
Life Plan TM	A comprehensive plan developed by Preston Estate Planning, consisting of various provisions in specific documents designed to protect the client and their loved ones prior to death, at death, and after death.
Limited Liability Company	A business entity which is intended to provide its owners (known as members) with liability protection like a corporation, but providing the advantages of partnership taxation without many of the formal requirements under corporate law.

Term	Definition
Limited Power of Appointment	The right of a trust beneficiary to transfer trust assets at the beneficiary's death to a specific person or classes of persons designated in the trust document and not to the beneficiary, the beneficiary's estate, the beneficiary's creditors or the creditors of the beneficiary's estate.
Limited Power of Attorney	See power of attorney.
Liquid Assets	Cash and other assets which can be converted to cash within a short period of time, usually 30 days or less.
Living Trust	A trust created and in existence while the person or persons who create it are living. Also known as an inter vivos trust.
Living Will	A legal document that describes a person's desire not to have life support or limited life support in the event of an irreversible, terminal condition. In California, these desires and directives are integrated into the Advance Health Care Directive. Consequently, the "Living Will" is not used in California.
Marital Deduction	An estate and gift tax deduction for transfers to a person's spouse. This deduction is unlimited under the federal estate and gift tax law. The marital deduction is available for outright transfers to a spouse or for transfers to trust, as long as the trust qualifies as a general power of appointment trust or a qualified terminable interest property (QTIP) trust.
Marital One Trust	The name sometimes given to the part of an A-B living trust, to which the surviving spouse's portion of the trust assets will be allocated upon the death of the first spouse. Also see Survivor's Trust.
Medi-Cal	The California adaptation of the federal Medicaid program which is designed to help pay for medical care for persons receiving public assistance and other low-income persons with few assets. Eligibility is dependent upon the value of available assets and prior disqualifying asset transfers.
Medicare	A federal program which provides health insurance benefits for persons who are disabled or age 65 or older and who are eligible for Social Security benefits. Eligibility is not based upon income or resource requirements.
Minor	A person who is under the legal age for an adult, which age varies from state to state. In California, a person who is under the age of eighteen (18) years is considered a minor.
Non-resident Alien	A person who is not a U.S. citizen and who does not reside in the United States. A non-resident alien's assets located in the United States are subject to special gift and estate tax rules.
Non-skip Person	A federal gift and estate tax term (part of the generation skipping transfer tax section) generally defined as a person who is either in the prior generation, the same generation, or only one generation younger than the transferor. A child is classified as a non-skip person for a transfer from a parent to a child. The generation skipping transfer tax does not apply to a transfer to a non-skip person. Also see generation skipping transfer.

Term	Definition
Notary	Also referred to as a notary public, a person commissioned by state law to take sworn testimony and to acknowledge signatures, usually in connection with the execution of legal documents. In order to notarize a document, the notary must sign and date the document and must indicate the expiration date of his or her notary commission. A notary cannot give a signature guarantee. A signature guarantee must be given by a national bank officer or a brokerage firm officer. See signature guarantee.
P.O.D.	The acronym for "pay of death", it is a form of beneficiary designation, usually used on bank accounts. The term is interchangeable with the following: I.T.F. (in trust for) and T.O.D. (transfer on death). These arrangements are collectively known as Totten Trusts.
Per Capita	A term used in connection with the distribution of assets. The technical Latin translation for "by the head," it is used to indicate equal distribution among specified beneficiaries. Also see per stirpes and principle of representation.
Per Stirpes	A term used in connection with the distribution of assets. The technical Latin translation is "by the root," it is used to indicate a division of assets such that a deceased person's share automatically transfers to his or her surviving descendants. Also see per capita and principle of representation.
Personal Property	All assets other than real estate. Personal property includes personal possessions such as household furniture and furnishings, vehicles, jewelry, but also includes cash, stocks, bonds, etc.
Personal Representative	The generic term for the person appointed by a probate court to act on behalf of a deceased person's estate. The court will usually appoint a person named by the decedent in his or her Last Will and Testament. In probate proceedings where the decedent had a Will, the personal representative is known as an executor. In probate proceedings where the decedent had no Will, the personal representative is known as an administrator.
Pour-over Will	A Will that transfers a person's assets, at his or her death, to a trust created during his or her lifetime.
Power of Attorney	A legal document in which one person (the principal) appoints another person (the agent) to act on his or her behalf while the principal is living. There are many types of powers of attorney documents. If the authority given to the agent covers health care only, it is sometimes referred to as an advance health care directive. If the authority covers financial matters only, it is sometimes referred to as a financial power of attorney. If the authority covers all types of financial transactions, it is sometimes referred to as a general power of attorney. Any power of attorney which covers a particular transaction only is sometimes referred to as a limited power of attorney. A power of attorney terminates on the principal's death. A financial power of attorney can also terminate upon the principal's incapacity unless the power of attorney specifically provides that it is a durable power of attorney. Also see springing power of attorney.
Principal	The term principal can be either: (1) a person who gives another person, known as an agent, his or her authority to act under a power of attorney; or, (2) the corpus of a trust, but excluding in any calendar year the income earned during that year. A trustee of a trust usually has some discretion in determining whether a particular item is income or principal.

Term	Definition
Principle of Representation	Usually means the same as per stirpes. If all of the persons who are alive to inherit have the same degree of relationship to their benefactor (e.g., they are all his grandchildren) then the division is the same as per capita, or equal.
Probate	A court proceeding intended to transfer a deceased person's assets to the decedent's beneficiaries or heirs. Most do their best to avoid probate due to the tremendous expense and length of time involved.
Qualified Domestic Trust (QPRT)	A marital deduction trust (much like a QTIP Trust) which qualifies for the marital deduction when the surviving spouse is not a U.S. citizen. Without a QDOT, no material deduction is available to the surviving spouse.
Qualified Personal Residence Trust (QPRT)	An irrevocable trust established to hold the personal residence of the grantor, with the grantor retaining the right to remain living in the property for a period of years, after which the residence transfers to the named beneficiary, usually the grantor's children. A QPRT is designed to remove the full value of the residence from the grantor's estate for federal estate tax purposes on the grantor's death, provided the grantor was alive at the end of the original term created in the trust document.
Qualified Retirement Plan	An IRA, 401K, pension, profit sharing or similar retirement plan created under the federal tax code, into which pre-tax dollars may be placed, growing tax-deferred, until taken out at retirement. A very complex and detailed set of rules governs qualified retirement plans.
Qualified Terminable Interest Property (QTIP)	A federal estate tax term defining property held in trust for the benefit of the donor's spouse which qualifies for the federal estate tax marital deduction. Often this represents an amount of the decedent's estate that exceeded the federal estate tax exemption equivalent. The income of the trust must be distributed to the spouse during his or her lifetime. The QTIP trust principal can be made available to the surviving spouse, however no other person may receive any principal from the trust. A trust created for a spouse in order to fully utilize the marital deduction is called a QTIP Trust. Also see Reverse QTIP Trust.
Qualifying Subchapter S Trust (QSST)	A trust that meets certain federal tax law requirements in order to be the owner of Subchapter S stock. A trust which is not a QSST cannot hold Subchapter S stock beyond a limited length of time; such a trust may cause the corporation to lose its Subchapter "S" status.
Quitclaim Deed	A special type of deed which transfers real estate without any warranties of title, often used to transfer ownership of real estate into a trust.
Real Property	Real estate of all types (land, house, commercial building, etc.) and real estate interests, such as mineral interests, a life estate interest, a leasehold interest, etc. Also see personal property.
Remainder Beneficiary	The last or secondary beneficiary, sometimes called the remainderman. See beneficiary.
Res	See corpus.

Term	Definition
Resident Alien	A non U.S. citizen who resides in the United States. As a general rule, resident aliens are subject to the same gift and estate tax rules as U.S. citizens. Also see non-resident alien.
Retirement Trust	A trust created for the sole purpose of receiving and protecting the required minimum distributions from a retirement account after the death of the owner.
Reverse QTIP Trust	A trust that contains the portion of the estate of the first spouse to die, which for estate tax purposes is considered part of the surviving spouse's estate, but for generation skipping transfer purposes, is considered property transferred by the first spouse to die.
Revocable Trust	A trust which may be amended or revoked by the person or persons who created it.
Roth IRA	A type of individual retirement arrangement in which the earnings grow income tax free and the distributions, when made, are also income tax free. The contributions to this type of individual retirement account are not income tax deductible.
Rule Against Perpetuities	An old common law rule (now codified in most states) which defines the maximum period of time for which a trust may continue. The purpose of the rule is to prevent trusts from continuing in perpetuity. Some states have eliminated the rule against perpetuities and now permit trusts to endure indefinitely. California has not eliminated the rule against perpetuities.
Settlor	See grantor.
Share	A beneficiary's portion of an estate, the value of which is determined by the number of shares created.
Signature Guarantee	An authentication of a signature provided by an officer of a national banking association or a brokerage firm who knows and sees an individual signing his or her name to a legal document. The authentication is in the form of a "Medallion Guarantee." Signature Guarantees are normally used in connection with the transfer of securities. A notary public cannot provide a signature guarantee.
Silent Partner Co-Trustee	A person named in a Life Plan TM trust to serve together with a sole trustmaker to ensure access to, and continuity of management of, trust assets for the benefit of the trustmaker in the event of a temporary event or emergency. In the case of married couples, the silent partner co-trustee will serve with the remaining trustmaker following the death, resignation or inability of one of the married trustmakers to serve as trustee. In the case of a single person, the silent partner co-trustee is appointed immediately.
Simple Trust	An income tax term describing an irrevocable trust which requires the distribution of income at least annually. Also see complex trust.
Situs	The principal place of trust administration or the legal "home" of a trust (i.e. the state where the trust is deemed to exist for purposes of income tax reporting, governing law and other trust issues, similar to domicile of an individual).

Term	Definition
Skip Person	A federal gift and estate tax term (part of the generation skipping transfer tax section) defining a person who is at least two generations younger than the transferor, such as a grandchild who receives assets from a grandfather. A skip person does not have to be a relative. An unrelated recipient of assets may be classified as a skip person based upon the difference in age between the transferee and the transferor. Also see generation skipping transfer.
Small Estate Affidavit	A special procedure authorized by California law which allows small estates to avoid probate. If the decedent's estate is subject to probate, this procedure is not available.
Sole and Separate Property	Property owned by a husband or wife who live in a community property state that is not community property. Generally, separate property includes assets acquired before the marriage and assets acquired during marriage by either gift or inheritance which are not thereafter commingled with the assets owned the both spouses together.
Special Needs Trust	An irrevocable trust designed specifically for a beneficiary who has an impairment which qualifies him or her for public assistance. The main purpose of the Special Needs Trust is to supplement the beneficiary's needs without causing the loss of his or her right to receive public assistance.
Spendthrift Clause	A clause in a trust which protects a beneficiary's interest from the claims of his or her creditors. Trusts which contain this type of clause are sometimes called spendthrift trusts.
Spendthrift Trust	A trust created to provide for a beneficiary which protects the funds from the reach of the beneficiary's creditors and the beneficiary's own misuse.
Springing Power of Attorney	A type of financial power of attorney which names an agent Attorney whose authority to act on behalf of the principal is effective only when the principal becomes mentally incapacitated. A financial power of attorney which is not a springing power of attorney is sometimes called an immediate power of attorney. After the passage of HIPAA, the ability to use a springing power of attorney is difficult, if not impossible. Also see power of attorney.
Step-up in Basis	The adjustment of the original purchase price of an asset that occurs at the death of the owner. This, in essence, eliminates the capital gains consequences on any appreciation that occurred during the owner's lifetime.
Successor Trustee	A person or entity who succeeds another as trustee, typically after the disability or death of the predecessor trustee. Usually, the successor trustee has all of the duties, powers, and privileges of a predecessor trustee. See death trustee and disability trustee.
Survivor's Trust	The name typically given to the surviving spouse's portion of an A-B Trust. Sometimes called Trust A or the Marital One Trust. The surviving spouse typically has complete control over the Survivor's Trust. Also see A-B trust and Marital One Trust.

Term	Definition
Survivorship Life Insurance	A special type of life insurance which insures two persons (usually a married couple) where the death benefit is not payable until both spouses are deceased. Also known as Second To Die Life Insurance, this type of insurance is especially useful in estate planning because it can be placed in an Irrevocable Life Insurance Trust (ILIT) to avoid the inclusion of the death benefits in the estate of the surviving spouse for federal estate tax purposes.
T.O.D.	An acronym for "Transfer on Death." See P.O.D.
Tenancy By The Entirety	A form of property ownership between a husband and a wife whereby each spouse owns the entire estate and, after the death of one spouse, the property automatically transfers to the surviving spouse. This form of property ownership is not used in California.
Tenancy In Common	A form of property ownership between two or more persons, who may own equal or unequal interests, in the same property. There is no automatic right of survivorship as in joint tenancy. Instead, when a co-owner dies, his or her interest passes to his or her beneficiaries, rather than to the remaining co-owners. Depending on the value of the decedent's interest, this form of title may trigger probate.
Term Life Insurance	A form of life insurance that pays at the death of the insured, but has no cash value during the life of the insured. Customary term insurance is renewable annually, with increased premiums er each year. Variations may permit level premiums for 5, 10, 15, 20 or more years. Term insurance is usually the least expensive form of life insurance.
Testamentary Trust	A trust which is created by a will. This type of trust comes into existence only at the will creator's death, normally as part of a probate court proceeding. Also see inter vivos trust.
Testate	A person who dies with a valid Last Will and Testament is said to die testate. Also see intestate.
Testator	A name given to the person creating a will. Although traditional law distinguished between a man (testator) and a woman (testatrix), modern law uses the term testator for both sexes.
Totten Trust	The term sometimes given to a bank account that automatically transfers to a beneficiary named by the depositor upon the death of the depositor. Often the designation "in trust for" is inserted into the title of the account. Also known as "pay on death" (POD) accounts and "transfer on death" (TOD) accounts.
Trust	A written contractual arrangement in which one or more persons, known as the trustmaker(s), trustor(s), grantor(s), or settlor(s), transfer title assets to a person or persons, known as the trustee(s), for the benefit a beneficiary(s). The lifetime beneficiary of the trust is normally the grantor(s). The trust includes a provision identifying the intended recipients of the assets following the death of the grantor(s).
Trust Estate	See corpus.

Term	Definition
Trustee	A person or entity who is in charge of administering a trust. Two or more persons (co-trustees) may serve together in this role. Also see trust.
Trustmaker/Trustor	Alternative names given to the person or persons who create a trust. See grantor.
Unified Credit	A federal tax term defining the amount of the credit against federal estate taxes. Under current law, the amount of the credit against the tax is determined in the year in which the person dies. Also see estate tax.
Unitrust	One of the two major types of charitable remainder trusts. The annual payments received by the donor are based upon a percentage of the value from year to year, thus changing over time. Also see charitable remainder trust and annuity trust.
Universal Life Insurance	A form of life insurance policy which builds cash value providing the owner with the flexibility to adjust future premiums and/or death benefit.
Variable Life Insurance	A relatively new form of life insurance policy which allows the Insurance owner of the policy to invest the cash value within certain guidelines.
Vested Beneficiary	A beneficiary whose interest in a trust cannot be terminated by later events. Also see beneficiary.
Ward	A person for whom a guardian is appointed by a court because the person is a minor (under the age of 18).
Whole Life Insurance	The traditional form of life insurance which has cash value. With this form of life insurance, premiums are usually constant and are payable over the insured's lifetime.
Will	A legal document which disposes of one's assets at death. The document may also name a guardian for minor children, if applicable. Also known as a Last Will and Testament. All Wills must be executed in strict accordance with the laws of the state where they are signed. A few states, including California, honor a hand-written will, known as a holographic Will, that does not require these formalities. Also see Pour Over Will.
Witness	A person who watches another person sign a document or who hears a person acknowledge that he or she signed a document. The witness then signs the document as a declaration to one of the foregoing.