

DEFINITIONS OF COMMON ESTATE PLANNING TERMS

Ademption - Disposition by testator of specific property (real or personal) bequeathed to a beneficiary in a will, so that at testator's death the property is no longer part of the estate. The beneficiary receives nothing unless the will substitutes another asset for the deemed property.

Administration - The process during which the executor or personal representative collects the decedent's assets, pays all debts and claims, and distributes the residue of the estate according to the will or the state law intestacy rules (when there is no will).

Administration Expenses - Normal and reasonable costs, fees and expenses incurred in the administration of a decedent's estate. May be deductible on either the estate's 706 return (see below) or the 1041 (see below), but not both.

Administrator - The individual or corporate fiduciary appointed by the court to manage an estate if no executor or personal representative has been appointed or if the named executor or personal representative is unable or unwilling to serve.

Advance Medical Directive - A directive issued according to state law in which a competent person may direct future medical decisions. Usually involves a durable power of attorney for health care, allowable medical decisions (i.e. Do Not Resuscitate, No Heroic Measures, etc.), and end of life directives (usually also known as Living Wills.) Each state is different as to the amount of enforceability is given to decisions made today for events which have not yet happened and whether or not a named agent is required, authorized, or merely empowered to make specific decisions at a later date.

Ancillary Probate (Ancillary Administration) - A proceeding in a state other than the decedent's state of domicile and where a decedent owned property

Annual Exclusion - The amount an individual may give annually to each of an unlimited number of recipients free of federal gift or other transfer taxes and without any IRS reporting requirements. In addition, these gifts do not use any of an individual's federal gift tax exemption amount. The annual exclusion is indexed for inflation and is \$14,000 per donee for 2013. Payments made directly to providers of education or medical care services also are tax-free and do not count against the annual exclusion or gift tax exemption amounts.

Annuity - A right to receive one or more payments for life or for a term of years. Often called a "pure" annuity or commercially, an "immediate" annuity. Contrast with the typical commercial "deferred" annuity where the right to receive payments is deferred while the tax on the growth and income produced inside the annuity is deferred as well until such time as a payment is made.

Antenuptial Agreement - Also known as a Pre-Nuptial Agreement. A contract entered into by a couple prior to marriage and usually pertaining to issues of support and property distribution in the event of a subsequent dissolution of marriage or death of either party. All states allow these agreements, although states differ in required formalities and enforceability of various terms and provisions.