



## **LEGACY SERIES<sup>®</sup>: TERMS & TOOLS**

**Last Will & Testament:** A legal document that dictates what happens to possessions and assets once a person dies. The person creating the will selects an executor to administer the will. A will comes into effect when you die. Before it is recognized, a will is probated in court to prove it is valid.

**Revocable Living Trust:** A legal document that dictates what happens to possessions and assets once a person dies. The person creating the trust, the grantor, usually selects a trustee to take over and administer the trust once they die. A trust comes into effect immediately upon being signed and funded. Often used to avoid probate, maintain privacy, reduce overall estate planning costs, achieve quick transfer of assets, and address incapacity. A “revocable” trust can be changed, while an “irrevocable” trust is difficult to change.

**Qualified Terminable Interest Property Trust (QTIP):** An irrevocable sub-trust that allows a person to provide income for their surviving spouse and bequeath property and assets to a different set of beneficiaries. Often used in blended families to protect children from subsequent marriages, and to lower taxes.

**Power of Attorney:** A legal document giving power to another to act on their (the principal’s) behalf as agent in the event they are unable to make or communicate decisions about their financial affairs via a general durable power of attorney or health care via a health care power of attorney.

**Living Will:** A legal document detailing a person’s desires regarding their medical

treatment when they are no longer able to express informed consent. A living will and a health care power of attorney together are called advance directives.

**Irrevocable Life Insurance Trust (ILIT):** An irrevocable trust created to own a life insurance policy. Often used to decrease the value of an estate and, upon death, to fund the payment of any estate taxes due. It is difficult to change an “irrevocable” trust.

**Standalone Retirement Trust:** A trust setup as the beneficiary of a retirement account, providing creditor protection and can also decrease the value of an estate. Often used with beneficiaries who are minors, incompetent/disabled, not financially competent, or in need of creditor protection due to divorce. Also used with large retirement accounts.

**Qualified Personal Residence Trust (QPRT):** An irrevocable trust funded by a primary or secondary residence to reduce the tax value of an estate.

**Spousal Lifetime Access Trust (SLAT):** An irrevocable trust where one spouse gifts into a trust for the benefit of the other spouse while removing assets from their combined estate. Often used for creditor protection by high net-worth individuals.

**529 Savings Account:** A state-sponsored tax-advantage account that allows for education funding through gifting for families from kindergarten through college. An account can be opened with as little as \$25.

**Notice:** This is general information and should not be relied upon as legal advice. For a free consultation, contact **JohnsonLegal.us** or call **910-319-7373**. (Version: 11/21)