

Per Capita vs. Per Stirpes

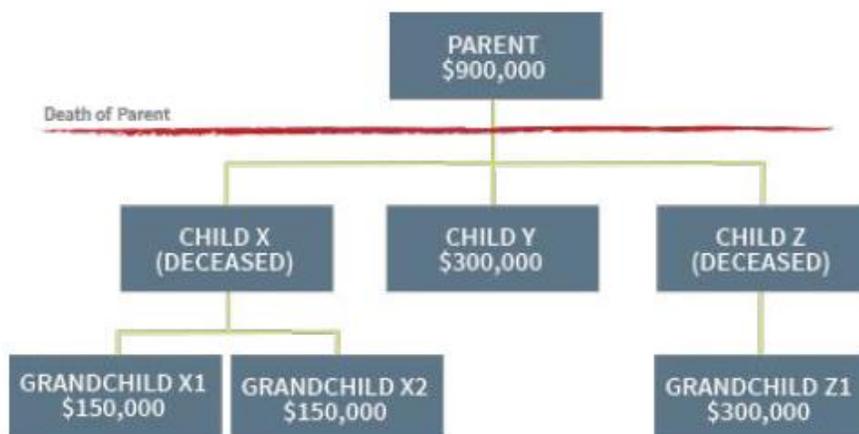
Per Capita, Latin for “by the head” and *Per Stirpes*, Latin for “by the root” are terms used in estate planning to describe how an individual’s assets are to be distributed at death. They are often encountered when an individual names an alternate beneficiary to receive assets such as life insurance death benefits or the fund in IRAs or other retirement plans. Such planning is needed as a primary beneficiary may predecease the estate owner. They are also found in cases where someone dies without a will. A person who dies without a will is said to have died “intestate;” each state has laws to deal with such situations.

It’s important to understand that the meaning of these terms can vary from state to state. The example which follow are designed to illustrate how Per Capita and Per Stirpes are generally understood to operate. Individual state law, however, may lead to a different result, even if the same term is used. The guidance of a knowledgeable estate planning attorney, familiar with local law, is highly recommended.

In these examples, assume that a parent has three children, Child X, Child Y, and Child Z. There are three grandchildren, two born to Child X and one born to Child Z. At the parent’s death, how would the parent’s assets be distributed assuming that both Child X and Child Z have predeceased the parent?

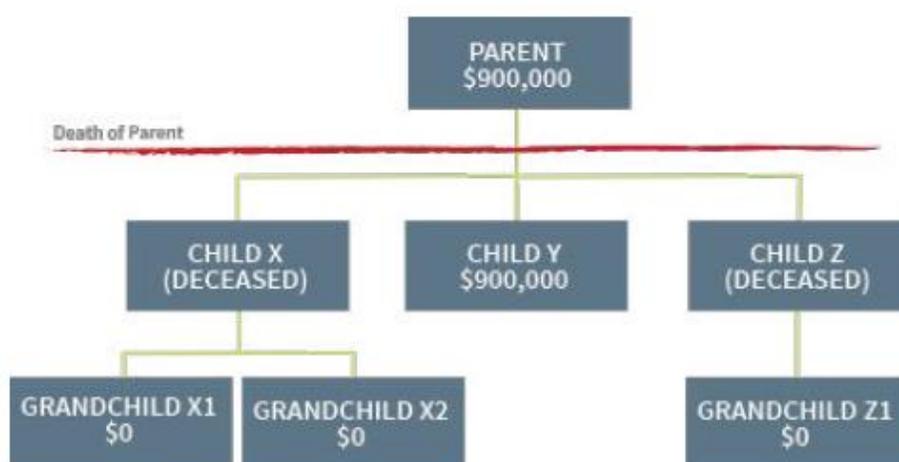
Per Stirpes

The parent’s estate of \$900,000 is split three-ways, with \$300,000 going to Child Y and another \$300,000 passing to Child Z’s survivor, Grandchild Z1. However, the children of Child X, Grandchild X1 and Grandchild X2, will split (\$150,000 each) what would have been Child X’s 1/3 portion of the parent’s estate.



Per Capita

The parent's entire estate, \$900,000, passes to the sole surviving child, Child Y. The grandchildren receive nothing.



Estate planning can be complex and confusing. Your Jacobi Capital team is available to walk you through the process and ensure you have the appropriate documents in place that reflect your wishes.

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual. Please consult your tax advisor for specific advice regarding your tax situation.

The discussion concerns federal income tax law; state or local tax law may differ.

For specific estate planning advice, please consult your estate attorney.