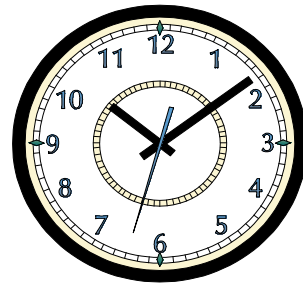


# Two Minute Legal Update

**ROBERT T. NAPIER & ASSOCIATES, P.C.**  
**[www.napier.com](http://www.napier.com)**

208 South LaSalle St., Suite 2070, Chicago, IL 60604 / Phone: (312) 701-0300 / Facsimile: (312) 372-5727  
1900 East Golf Road, Suite 600, Schaumburg, IL 60173 / Phone: (847) 995-0011



## Father Luke's Lesson - How to Lower Your Taxes

A wonderful Benedictine monk named Father Luke taught algebra the old fashioned way - with a wooden drumstick.

"What you do to one side of an equation (thwack!), you do to the other (thwump!)."

This fundamental algebraic principle is applied to a simple and effective way to lower estate taxes.

Suppose that a married couple own a \$500,000 home together

as joint tenants. If they had both passed away yesterday the IRS would rightly argue that the total value of their home is \$500,000.

But change their form of ownership from joint tenancy to tenants in common and the result is materially different. If the husband had passed away owning one-half of the home as a tenant in common, what do you think his 50% interest in the home is worth?

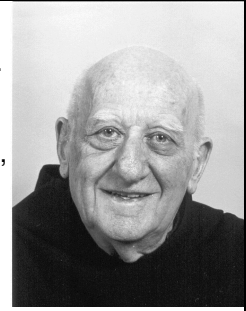
You might figure that his interest is worth one-half of \$500,000 or \$250,000. But the best way to determine value is to look at what his one-half interest would be worth if it were sold.

Who would want to buy a one-half interest in the house? The answer is that most people would not want it unless the price was significantly reduced. Appraisers tell us that a 20% reduction from its full value is about what the one-half interest is worth.

Therefore, the husband's interest is worth only about

Father Luke Bohr, O.S.B.

He is still going strong, but the drumstick has been retired.



\$200,000 ( $500,000 * 1/2 * (1-.2)$ ).

Applying Father Luke's directive, we know that the wife's half of the home must also be worth \$200,000 for a total reduction in the size of the estate of \$100,000.

This concept can be applied to other real estate and even stock in a closely held business. The discounts have even been higher for other types of real estate, including farms and apartment buildings.

Be certain that you have considered using this basic technique for your real estate or that of your loved ones. Now even the IRS has learned the lessons Father Luke made painfully clear.



Bob helped coach his daughter Olivia's fifth grade basketball team. She is next to the last girl in the front row.