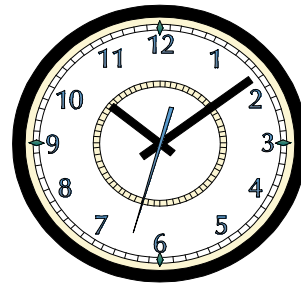


Two Minute Legal Update

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“I won’t give any of my wealth away--- I may need it!”

Since 1916, when the current estate tax law was created, attorneys have been advising their clients on how to avoid gift and estate taxes. “Give your wealth away,” is a common suggestion to clients.

Since 1916, clients have been rejecting the idea of giving their wealth away, saying “Are you crazy? I may need it to take care of myself!”

Many people feel this way, especially those that endured the Depression. Parents also abhor the idea of watching their children drive off in red, Italian sports cars.

However, many people believe they can live quite comfortably

with their current level of wealth; they would feel even better if their wealth appreciated at least at the level of inflation.

There is a solution which allows a person to maintain their current wealth, increased for inflation, leaving any appreciation beyond that amount to the next generation. This solution is called a GRAT, or grantor retained annuity trust.

A GRAT is a low-risk solution, and it is not terribly complicated. The idea works exceptionally well when interest rates are low.

Imagine that Joe puts \$1 million into a GRAT. Joe can have that GRAT pay him whatever amount he wants. Let’s say that Joe wants the GRAT to pay him \$530,000 a year for two years. At the end of the second year, then, he will have received \$1,060,000. If the \$1 million Joe put

in the GRAT grew by 10% annually, there would be about \$100,000 left over in the GRAT; that is what the next generation would take. If done properly, the next generation receives the \$100,000 free of gift taxes.

Quips and Quotes

“Inside every older person is a younger person -- wondering what the hell happened.”

But what would have happened if Joe’s original \$1 million GRAT lost 10% per year? Then Joe’s two payments would exhaust the assets in the trust and the children would get nothing from the GRAT. That is still an acceptable result since Joe can easily create another GRAT and start again!

And what about the red, Italian sports car? Joe need not worry because the \$100,000 left over from the successful GRAT will go into a trust to benefit his child, not the sports car dealer.

Call us if you would like to learn more about this GRAT idea.

Napier & Associates is pleased to announce that it has received the AV rating from law directory publisher Martindale-Hubbell. This rating is established by the confidential opinions of the Bar and is given to law firms with preeminent legal ability and the highest ethical standards.



Backpackers Bob Napier, Rick Kaufman, Chris Reckamp, Remo Picchietti, Kevin Walgreen, and Tim Weilandt at the Continental Divide in Glacier National Park in Montana.