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Wabeek on the Fairways Cluster homes.

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ED F. JOHNS & ASSOCIATES

South off Long Lake Rd. Between Middlebelt and Franklin
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Estate taxes can be cut

Death and taxes, said Benjamin Franklin, are the only things in this world that are certain. There is no escape from either, but in the death of one marriage partner, there may be a way for the surviving home-owning spouse to save on taxes on the value of that home.

There is, of course, another consideration when one marriage partner dies: The home should pass speedily to the surviving partner without administrative red tape or cost.

Let's look at three types of home ownership to determine in general the advantages and disadvantages of each:

SOLE OWNERSHIP of the home by one marriage partner should the marriage partner who does not own the home die first, obviously, there would be no administrative red tape or tax problem involving the home.

However, red tape, administrative costs, and taxes prove a problem when the home's owner dies first. Establishing ownership would take

time, preventing the surviving partner from selling, renting or mortgaging the home.

JOINT TENANCY Under this form of ownership, administrative red tape and the accompanying delay in establishing ownership virtually would be eliminated. The surviving partner receives title automatically upon the death of the spouse.

However, there are disadvantages. In joint tenancy, the amount of equity built up in the home is added to the gross estate of the first to die, statistically usually the husband whose estate might already be large.

The federal estate tax then is applied to that gross estate. The same tax also is applied to the estate upon death of the other marriage partner.

TENANCY IN COMMON As tenants in common, the advantage of minimum red tape in establishing ownership still applies. There also could be a considerable tax saving over joint tenancy, especially if the

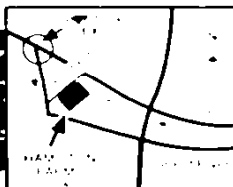
couple has owned the home for many years and has built up a great deal of equity. For example, let's say the husband, who often is the sole contributor in the purchase of the home, makes a gift of one-half the ownership to his wife. No gift tax would apply if no previous gifts were made and equity in the home did not exceed \$132,000.

This procedure would remove half of the home's equity from the husband's gross estate. Assuming he dies first, the value of his estate would be reduced by the amount of equity now owned by his wife. The tax on his estate would be less, possibly several thousand dollars less.

When the wife dies, the estate pays on her gross estate, including the full amount of the equity. The only added cost in tenancy in common would be charges in each estate attributable to inclusion of the home in the probate estate, an amount usually much less than the estate tax that would be imposed under joint tenancy.

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