



What To Do With the Family Home?

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There are no easy answers. When parents of adult children think about leaving assets to their children, what to do with the family home is the most vexing issue. Leave it to the children. Leave it to one of the them? Include it in your estate with instructions that it be sold and the proceeds divided equally? Some parents deed their homes to their child or children, or add them to the deed while they are still alive. This is done to avoid a large estate tax on the property, but the truth is, it doesn't work and can trigger the gift tax. To be clear – it is never a good idea to add an adult child to your deed.

Other than tax issues, there are other considerations to take into account before leaving the family home to any or all of your children.

Avoid Family Squabbles

Imagine you have two children, one is comfortable, and the other works hard to pay bills. The home is left to both of them. The comfortable child wants to use the home as a rental property for income, the less comfortable kid wants to sell the house

and split the profit. They cannot agree and in addition to an estrangement between siblings, no one is benefitting from your generous gift.

Another cause of family infighting is when one child wants the home, and the others do not. How will they ever settle on a price?

Still another scenario is none of your children lives near the home. They are scattered around the country and dealing with tenants, taxes, insurance, and maintenance is more work than they have time for – your wonderful gift has the unintended consequence of actually being burden.

Keep Your Home Protected

If your son or daughter has money difficulties, give this decision a great deal of thought – your home could go to creditors to settle your child's debt.

Children at high risk of being sued, such as a doctor, leaving them your home is a risky as it is property they may be forced to sell to settle a lawsuit against them.

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Issues Besides the Taxman

Deeding the property to your children while you are still alive is an extraordinary show of love. But, sometimes children and parents do not get along. Deeding your home to a child while you are living in it puts them in control. They can decide to sell the home and you have to find a new place to live. On the other hand, if in need of cash, mortgage it and leave it to you to pay or leave, as without payment the property will be foreclosed.

Even if you get along great with your son or daughter, how good is your relationship with your son or daughter-in-law? In the worst case, your child can predecease you and suddenly they control your destiny.

Get Good Advice

There are many pitfalls to leaving your home to children. To do what is best for all concerned, seek the advice of an experienced retirement counselor.

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