



Snapshots™

FAMILY COTTAGE ISSUES: FAMILY COMPLICATIONS

THIS IS THE AREA WHERE CAREFUL PLANNING CAN PREVENT OR AT LEAST REDUCE FAMILY STRIFE AND BAD FEELINGS. THE FAMILY COTTAGE IS OFTEN THE SOURCE OF A HOST OF WONDERFUL MEMORIES, AND YOU MAY WANT TO GIVE YOUR CHILDREN THE OPPORTUNITY TO HAVE THOSE SAME EXPERIENCES. HOWEVER, WHEN THERE IS MORE THAN ONE CHILD INVOLVED, THE ISSUE OF SHARING WILL INEVITABLY ARISE.

The Owners/Parents

As owners and parents, ideally you should take the steps necessary to make a succession plan for the cottage while you are still alive. Two factors will help make sure that you have a successful plan:

1. Consultation and discussion with the interested parties

Every family situation is different. Children have their own goals and desires, sometimes conflicting with those of their siblings. Bringing the children together for a candid (and hopefully amicable) discussion about the future lets the family make plans for the cottage that everyone can agree with. If you quietly, and without discussion, determine the future of the cottage without the input of your children, then you may be creating surprises and hard feelings down the road. But an honest discussion might reveal that one child has no real interest in keeping the cottage and some other bequest might be more appreciated, while another child may want to keep the cottage in the family. Some of the issues you should consider are:

- Interest of the children in keeping the cottage
- Geographical proximity of the parties to the cottage
- Financial ability of the children to maintain the cottage
- Adequacy of other bequests

2. Creating a legal agreement

Some people may be hesitant to draw up a legal agreement to specify the rights and obligations in regards to a cottage, as it may imply a level of distrust between family members. The situation may very well be that everyone does, in fact, get along well and conflicts are rare—but this is probably not the norm. Even if this does describe your family, though, a legal agreement can help prevent future disagreements or misunderstandings. A Cottage Agreement, preferably created with the help of a lawyer, should lay out in detail how the cottage will be used, maintained and eventually divested. Many issues can come up, some routine and some unexpected, so having an agreement in place can help ensure good relations between everyone in the family.

For more information about creating a Cottage Agreement, please refer to the article entitled [Sharing the Family Cottage.](#)

The Children

If you have not taken formal steps to deal with the succession issue, your children will have to do it themselves. For example, if you simply leave a cottage to your three children in equal shares through your Will, then those three children will need to come to an agreement on how the cottage actually will be shared. A prudent step is for the children to have a meeting and create a formal, legal agreement to determine all of the sharing, financing and succession issues up-front to avoid any future misunderstandings and strife.

Planning Ahead

One useful way to limit family complications—and reduce the estate taxes on your beneficiaries—is to transfer your cottage into a trust. A trust gives you some control over how the cottage is managed after you pass and can ensure that everyone benefiting from the cottage is fairly treated. I can show you how a trust can help you meet your overall financial planning and estate goals.

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