

TRANSFERRING REAL ESTATE OWNERSHIP TO MULTIPLE RECIPIENTS

Consider the following to prevent potential conflicts or unanticipated obligations



For affluent families, the size, value and complexity of a property or properties can make shared ownership especially challenging.

Despite the best of intentions, transferring an investment property or vacation home to more than one recipient – without first considering the financial and emotional repercussions – may cause disputes, confusion or unexpected responsibilities. Answering the following questions can help provide valuable guidelines.

ARE ALL RECIPIENTS AWARE – AND COMFORTABLE WITH – YOUR PLANS FOR THE REAL ESTATE?

- Have you made recipients aware of your plans as well as the rationale for shared transfer of the property?
- Does each recipient agree with – or at least accept – your plans, rationale and/or the structure of the transfer?
- What are their expectations with regard to inheriting a shared interest in this asset? Over what period of time?
- What competing interests, rationales or preferences do they have?
- In general, are you comfortable with the possibility that your expectations may or may not come to pass given the variables inherent in shared property ownership?

WERE ANY INFORMAL PROMISES MADE ABOUT THE PROPERTY?

- What other non-legally binding or informal promises or assurances have been made to each of the recipients regarding the property?
- What are the informal messages each has received about how and why they are receiving an interest in this property?

ARE YOUR RECIPIENTS ON BOARD WITH SHARED MANAGEMENT RESPONSIBILITIES?

- Are your recipients' committed to maintaining the property together for a given period of time? Will they be required to?
- Do they understand any legal and governing documents that will continue to be in effect after the transfer?
- How will the parties manage maintenance, insurance and involvement with any property associations or local real estate governing bodies? In general, how able and willing are the recipients to work together on these items? Do they have time or ability to manage any or all of these items? Would education or orientation into some of these items be helpful to facilitate shared management?
- How will the recipients manage expected and unexpected costs? Will this process affect other aspects of the parties' financial or tax plans?
- If one or more of the parties wants to change all or part of the property and/or its use (e.g., demolish existing structures, build new ones, mine for minerals or water, cut timber, seek commercial zoning), what will be the decision process?
- If loans are required for special projects, how will they be secured?



HOW WILL RECIPIENTS DETERMINE WHO IS ELIGIBLE TO USE THE PROPERTY?

- How will recipients schedule use of the property among themselves?
- Will guests or other third parties be allowed to use the property?
- Will minors be allowed to use the property?

Many real estate sharing relationships become strained because one party wants to dissolve the shared asset entirely and another wants to keep it. Usually, the party who wants to sell does not want to sell off only their interest to other owners because they do not think they will get as good a return as if the entire property went onto the open market. In other cases, emotional issues in the background may lead one party to refuse to buy/sell an interest from another.

WHAT IF A RECIPIENT WANTS TO SELL?

- If one or more of the recipients wants to sell their interest in the property, what is the decision process?
- If one or more of the parties wants to sell the *entire* property, what is the decision process?

WHAT ARE THE RECIPIENTS' WEALTH TRANSFER PLANS FOR THE PROPERTY?

- If one or more recipients were to die or become disabled, how and to whom would their interest in the real estate transfer? In other words, what plan does the next generation currently have in place for this property?
- Are all parties involved in the shared real estate aware of these plans?

FOR MORE INFORMATION

To learn more about creating a plan for shared property ownership, please contact your Northern Trust relationship manager.

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