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## THE ULTIMATE GUIDE TO PLANNING FOR A FAMILY VACATION PROPERTY

The family beach house, ski condo, lake cottage, or other vacation property is often cherished for the lifelong memories created and the traditions upheld. Understandably, many people want to keep these properties in the family for generations to come, with the intent of creating meaningful family traditions and history, strengthening family ties, and preserving a parent's legacy into the future.

However, many people believe (maybe hope) their children will work together to manage the property and use it to foster strong bonds among future generations. They may also believe their children and grandchildren will never want to sell the property and will want to continue the family traditions. But if not properly planned for, family vacation properties can also be a source of conflict and tension among family members.

Managing and maintaining any real property, even the treasured family vacation property, is work and can be costly. That is why it is important to have a plan in place for how a family vacation property will be owned and managed. This plan should address all of the potential issues that could arise, such as:

- Who pays for the ongoing maintenance expenses, property taxes, utilities and more?

- Who will have the right to use the property if it cannot accommodate a growing extended family, friends and potentially in-laws?
- Can the family property be rented to offset the expenses?
- What happens if someone wants to sell their share of the property?

And the list goes on. Fortunately, as with many aspects of estate planning, the parental generation can set the family toward success with strong baseline planning. This includes setting up the ownership structure of the property and having conversations with loved ones about the terms of the plan and your specific wishes.

### PARTNERSHIPS & LIMITED LIABILITY COMPANIES (LLCs)

One option for owning a family vacation property is to form a partnership or limited liability company (LLC). This will create a legal entity that can own and manage the property on behalf of the family. The underlying business documents (partnership or operating agreement) should clearly define the following details:

- The rights and responsibilities of each member;
- Who will manage the property;

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- The creation of a budget for expenses, including compensation, if any, for the property manager;
- The use of the property; and
- The ability to transfer the property to others and buy-out provisions.

### COMMUNICATION & GOAL SETTING

It is also important to have a conversation with all family members who will be involved in the property ownership. This conversation should cover the family's goals for the property, as well as any potential challenges that they may face. Transferring the property to the next generation (or to a trust for their benefit) during a parent's lifetime can help create the norm for how the property will be managed after death. We also recommend that the entity which owns the property be funded with seed capital, either during life or at death, to facilitate the payment of property related expenses for a period of time after death.

Many families successfully keep properties in the family for generations. However, sometimes on-going family ownership is not the best path for a particular situation. A conversation during the parent's lifetime could reveal why on-going family ownership is not a good plan and prevent transforming a family treasure

into a family burden. A well-crafted plan for a family property, including valuation and buy-out provisions for an exiting family member, helps keep the family relationships intact through these difficult transitions.

### Here are some additional tips for planning for a family vacation property:

- **Start planning early.** The earlier you start planning, the more time you will have to address all of the potential issues.
- **Get professional help.** Contact your Wigggin and Dana attorney to help you create a plan that meets the specific needs of your family.
- **Be flexible.** Things change, so be prepared to adjust your plan as needed.
- **Communicate with your family.** Keep everyone involved in the planning process and make sure that everyone's voices are heard.

By following this guide, we hope that you can help ensure that your family vacation property is a source of joy and happiness for generations to come. If you have any questions or need guidance on planning for your family vacation property, please do not hesitate to contact a Wigggin and Dana attorney. We are here to help you preserve your family legacy.

*This publication is a summary of legal principles. Nothing in this article constitutes legal advice, which can only be obtained as a result of a personal consultation with an attorney. The information published here is believed accurate at the time of publication, but is subject to change and does not purport to be a complete statement of all relevant issues.*