

Estate Planning For Vacation Home Owners

For Bob and Betty*, their lake cabin in Minnesota had been the ideal family retreat. Their three children, Jack, Joe and Jane, had learned to fish and water ski during their summer vacations and how to snow ski during their winter breaks. Their cabin had also been ideal for weekend get-a-ways, with the family also frequently hosting their childrens' friends and making over three decades of memories.



The cabin had become a second home for the family. And now, with Jack having children of his own, it was becoming a memory maker for Bob and Betty's grandchildren as well.

However, Bob and Betty's enjoyment of the family retreat was also the source of some worry. While they hoped their family would continue to always get along, they weren't so naïve to expect that would be the case. The last thing they wanted was for the cabin to become the source of disputes and heartaches.

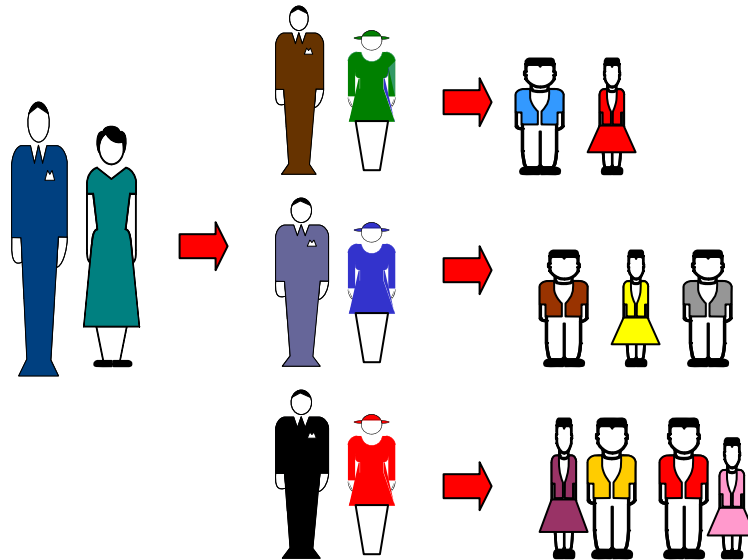
Their previous Estate Planning Attorney had simply placed their vacation home into their Living Trust, to be distributed to the children equally after Bob and Betty passed away. While one of the reasons Bob and Betty had come to meet with me was to discuss their succession planning for their family business, we also decided to discuss their vacation home succession planning. They had specific questions they wanted to address about the future of the cabin after their deaths:

- What would happen to the cabin if one of the children died?
- What would happen if one of the children got divorced?
- What would happen if one of the children couldn't afford (or didn't want to pay) their share of expenses (or had future creditor problems)?
- What would happen if one of the children insisted on selling their share?
- What would happen if the children disagreed about how the cabin would be operated and maintained?

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- How could the cabin's use be scheduled to avoid disputes?
 - How could the cabin be preserved so it could be passed down to Bob and Betty's grandchildren after their children's deaths?
 - How could this be accomplished in a tax efficient manner?

Bob and Betty presented the classic situation for Vacation Home Succession Planning. Vacation Home Succession Planning (also known as Cottage Succession Planning) refers to the legal and financial strategies used to help keep the family vacation home peacefully and effectively in the family for successive generations. These strategies can be used whether your vacation home is a million dollar second home overlooking the ocean or a small log cabin in the woods.

This form of advanced Estate Planning comes into play whenever a family has a cabin, beach house, cottage, lake home, camp, farmhouse, chalet, ski condo, hunting lodge, winter home, summer home, second home or other vacation home which they want to pass on to their heirs to keep in the family for future use and enjoyment. The use of a regular Estate Plan, even with a Living Trust, is not adequate. The questions which Bob and Betty had, along with others, are each addressed in a Vacation Home Succession Plan.



*While the examples mentioned in this book are based on actual clients' situations, the names and certain facts have been changed in order to protect their privacy.