Whether you have a rustic camp that's been in the family for generations or you just purchased a luxurious house at the beach, you need to incorporate that vacation property into your estate plan. It can be hard to force yourself to think of a future where you are not able to enjoy the property with your family, but that day will come eventually. Knowing that you are prepared for whatever happens in the future can make it easier to relax and enjoy your vacation property today.

Here are some of the most common estate planning mistakes with vacation property and how to avoid them.

Not Having a Plan

If you pass away or become incapacitated without having a plan in place for your vacation property, you leave everyone in a state of uncertainty about your wishes and pave the way for conflict involving everyone else's wishes.

It is a good idea to hold an honest discussion with adult children sooner rather than later. Be prepared with key information such as the annual maintenance and utility costs. Also have information ready about taxes, insurance, association fees, and mortgage balance. If you know of any major repairs that will be needed in the near future, list those as well.

Discuss whether your loved ones want to keep the house or sell it after you pass away. If the plan is to keep the house, then you need additional plans for paying for regular expenses and maintenance. Don't forget about lawn maintenance and cleaning. It's not fair to expect one family member to take on the burden for everything unless they will be using the property far more than other family members.

Letting Emotions Lead to Poor Decisions

While it is important to have a plan, it is also important for that plan to be realistic. If your vacation home has structural damage, repair costs may make it unrealistic to keep. Or if the taxes or flood insurance costs are more than family members can afford, the property becomes more of a burden than a joy. It is important to make decisions that will work for the future of the family, and sometimes that means letting go.

Expecting Agreement Between Multiple Owners

The easiest ways to pass a vacation home to your children would be to leave the property to them jointly in your will or add their names to the deed now. Easiest, however, does not mean best.

When multiple people share equal ownership rights in a property, they have to agree on everything before anything gets done. This is often a recipe for conflict and it can create a complete impasse. One owner could even go to court to have the property partitioned through a forced sale. This is a costly and divisive process.

A properly drafted Use and Maintenance agreement can help prevent some disagreements, but other problems remain, including questions about what happens to the co-owner’s shares when they pass away.

It often makes more sense to put the property in a trust. A sub-trust can be created within a revocable trust, or different forms of irrevocable trust could be used to hold and manage the property. A qualified personal residence trust, for instance, can reduce

estate tax burdens while allowing the owner to use the property for a period of time and then it would pass into a trust or to beneficiaries.

The Nordhaus Firm Can Help You Develop the Right Plan for Your Vacation Property

Remember that the biggest mistake you can make is to fail to plan for your vacation property. It is a good idea to discuss the property with your estate planning attorney and then review the options with your family.

To get started with a plan for your vacation property, contact The Nordhaus Firm today.