



Elder Law Guys: Vacation home, a blessing?

JULIAN GRAY AND FRANK PETRICH

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Summertime is the time when many of us flock to our vacation home.

Whether it's a beachfront bungalow, hi-rise condo, ski chalet or lake house, the ownership of second homes is on the rise in the United States.

According to the National Association of Realtors, the number of recreational second homes now exceeds 5 million!

While most people consider many factors when purchasing a second home such as cost, maintenance and usability, few think about the long-term planning aspects of owning a second home. Let's examine some significant planning issues.

A game plan and family harmony

Many families have great memories of periodic getaways to the vacation home. It works well when the original owners of the home (typically the senior generation) are the owners and footing the bills for maintenance, repairs, insurance, taxes and utilities. But what happens when the original owners die or can no longer take care of the vacation home? Some family members in the next generation may want to keep the home, others may not. Some family members are able to fund the ongoing costs of running the home, others cannot.

Given these factors, it's easy to see how in the future there can be friction among family members as to best manage, maintain or not and fund the ongoing enterprise that is the vacation home.

Both generations want nothing more than the memories of years past vacations to live on with future generations. Unfortunately, without proper advance planning, the exact opposite scenario can, and often does, occur. This frequently causes disagreement among family members and possibly financial loss through a forced sale or one pursuant to family litigation.

The solution? Prepare, in advance, a written plan which incorporates the future ownership, maintenance, funding and, most importantly, buyout provisions for the vacation home. This can typically be accomplished within a legal document such as a will or a trust. Spending a little time designing the transition of the vacation home to the next generation now can pay great dividends in the future, especially as they relate to family harmony.

Efficiency of transition

Many of these vacation homes are located in a state other than where the owners reside. This matters because the laws of each state are different.

Let's say you live in Pennsylvania and own a vacation home in South Carolina. The title on the deeds to both of your homes is in your individual name or with a co-owner such as a spouse or partner. When the owner(s) of the homes die, the Executor of the homeowner's estate will have to engage in the probate process in both states in which the homes are located. (It's bad enough to deal with attorneys in your home state let alone having to hire a second set of attorneys in the state where your vacation home is located, eh?).

The solution is that many families solve both of the problems described here with some type of Family Trust Agreement. A properly drafted Trust can provide a written plan on how to handle the management, financial issues, dispute resolution and ultimate disposition of the vacation home long after the original owners are no longer involved. In addition, the Trust can consolidate ownership of all real estate in multiple states and avoid having to duplicate probate efforts in each state where real estate is owned.

These are just some of the issues involved when designing an estate plan involving a vacation home.

Other important matters involve tax planning and long term care costs, with the vacation home as an asset, which also should be considered.

So, fire up the grill and enjoy the time with your family watching both the sunset and sunrise. But, remember that you need to plan ahead to keep this dream alive for future generations.

Julian Gray and Frank Petrich are certified elder law attorneys who practice in the Pittsburgh area at Gray Elder Law. Send questions to elderlawguys@grayelderlaw.com or visit grayelderlaw.com.

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