

Remarriage & Vacation Home Succession Planning: A Case Study

Christopher Cahill, J.D., CFP®

Donald and Theresa Grecco purchased a home on the shore of New Hampshire's Lake Winnepesaukee back in the early 1970s when they were just starting a family. It was a stretch for their budget, but they were willing to sacrifice. They wanted a place where they could escape with their kids and create the kind of treasured memories that are hard to come by during the hustle of day-to-day life.

Over the years, as their children grew up and their income increased, they added a dock to the property, bought a boat, and hosted friends and family almost every weekend. Their sacrifice had paid off handsomely.

When Theresa died in 1995 from ovarian cancer, the home took on additional meaning. Donald and his kids discovered that the lake house was the one place where Theresa seemed most present. Their oldest son held his wedding reception at the house and their daughter met her future husband while kayaking across the lake. And Donald, who long thought he'd never find happiness again, met Sarah, fell in love, and remarried in 2005.

That's when he knew he had to make some decisions about what would happen to the lake house after he died. Sarah and Donald's children had always gotten along well and the last thing he wanted was any conflict between them about the use, enjoyment, and value of the property after his passing. After discussing the issue with Sarah, he determined that the property had more sentimental value to his children and grandchildren than it did for his wife.

Donald explained his wishes to his investment advisor and an estate attorney. The result was a focused gifting strategy to move the property out of his taxable estate and into a trust for his children and grandchildren.

By first placing the property into a Limited Liability Company (LLC), Donald could more easily gift fractional shares of ownership to a Generation Skipping Trust for the benefit of his children and grandchildren. The property was scheduled to be completely transferred over a period of 10 years.

At the same time, Donald and Sarah worked out a Post-Nuptial Agreement stating that she would relinquish any interest in and claim against the estate -- specifically relating to the lake house -- in return for a specified value of other assets earmarked for her.

While this plan was right for Donald, there is no one-size-fits-all succession plan for passing along a second home to the next generation -- especially when divorce, remarriage, and step-children complicate the issue. Donald did make a decision to work with estate planning specialists to ensure his goals were met effectively and efficiently, and that is one approach that does indeed work for everyone.

SECOND HOME SAVVY

Christopher Cahill | Chris@TwelvePointsWealth.com | 978-318-9504