



WHAT APPROACHES CAN I TAKE FOR MANAGING THE FAMILY VACATION HOME?

The threshold question with any of this planning is do the children want the home at all? Different beneficiaries may have different economic situations or live in different places across the country or world and may not make the same use of the property. It is important to have open conversations and discussions to ensure that over time the property (and expectations) can be managed properly. There also should be some discussion of how much money is needed to sustain the property and whether it can be rented to unrelated people.

A trust can be used in which a trustee controls the real estate, but that may place the trustee in the position of having to balance different beneficiaries' interests and use of the property.

A limited liability company is often a good way for managing a second or vacation home. The family or trusts for their benefit will own the property as members of the LLC and the LLC Operating Agreement will set out the rules for managing the property. The managers will manage the property, and the Operating Agreement will set out how managers will be succeeded and elected. Also, the manager and members may have to comply with _____ reporting requirements under the Corporate Transparency Act.

An exit plan for members should be thoroughly discussed: will there be provisions for buying out a member and, if so, how will that be done? Over time or immediately? At what price? Will there be any transfer restrictions on a member's death, divorce or creditor problems? How will the property be managed as generations continue? How will usage be scheduled? How will expenses be managed? Through an endowment or contributions? If there is a dispute how will it be resolved?

There are no "correct" ways to answer these questions or even best practices approaches other than to have open and honest discussions regarding the property. Property held at the "siblings" level can often be managed fairly well, but once the property descends to the "cousins" level and people's personal and economic situations begin to diverge, and the number of people with interests begins to multiply, it is difficult to balance interests unless the property is endowed with substantial funds.