



KALEJTA FINANCIAL MANAGEMENT

Building Wealth. Protecting Dreams.®

5 Estate Questions to Ask About Real Estate

Preparing your estate in advance is one of the greatest gifts you can give your family. Many estates include real estate in the form of a primary home, vacation home, and other family properties. While inheriting a property can be a wonderful legacy, it also comes with obligations that heirs may be unprepared or unable to fulfill. If you intend to leave real estate to your heirs, ask yourself these five questions to avoid creating problems for your loved ones.

1. Will the Property Have a Mortgage?

If the property comes with a mortgage, reverse mortgage, or home equity loan, your heirs will need to negotiate with the lender to satisfy the terms of the loan. In many cases, they may need to sell the property to pay off any loans if financial provisions aren't made elsewhere in the estate. Life insurance is one option for giving loved ones the cash needed to satisfy final debts.

2. What Are the Tax Considerations?

If you leave a large estate, your heirs might end up owing state and federal estate taxes on their inheritance. Make sure that your heirs have the financial resources they will need to satisfy the tax bill. If your heirs sell the home after inheriting, they might also owe capital gains taxes. It's worth sitting down with a tax professional to make sure you understand all the tax implications for your heirs.

3. Do You Want to Keep the Property in the Family?

Many families have beloved homes or properties that have been passed down through generations. These emotional ties are important, but can complicate financial decisions. Make sure you and your heirs are on the same page regarding the family's legacy and that your heirs are prepared for the burdens of owning the property. If not, it may make sense to prepare the property for sale.

4. What Are Your Family Dynamics?

Unlike a cash inheritance, real estate can't easily be divided among heirs. Properties also come with maintenance and financial responsibilities to consider. Many inherited properties have created nasty squabbles between siblings and in-laws over disposition and use. Think carefully about sibling and marital dynamics and make sure that leaving a property to your heirs is really the way to go. It's a good idea to talk to each heir in advance about their wishes.

5. Do You Understand the Market Value of the Property?

Many people have an unrealistic expectation of what a property is worth on the market. If your property is hard to value or would require extensive improvements, your heirs may have difficulty selling it for what you think it's worth. You should also determine whether the property has any pollution problems that would require remediation before a sale. Getting a professional appraiser's opinion can help prevent unpleasant surprises (and family disagreements) after your death.

How Can We Help?

For many clients, real estate is an important part of the legacy they hope to leave to their loved ones. However, real estate has special considerations and must be handled carefully within an overall estate strategy. If you expect to leave property to your heirs, it's important to make sure your team of legal and financial professionals understands your wishes.

If you'd like to discuss your personal situation, please give us a call. We can give you our advice and put you in contact with trusted legal and accounting professionals from within our network.

Kind Regards,



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