



*Continue Making Memories at the Family Cabin for Years to Come*

It was only two-and-a-half hours away but it seemed like a cross-country road trip because we were so anxious to get there. Once there, it seemed that the hands on the clock sped up and too soon we were back in the car headed toward home. But while we were there, this was the stuff that made life an adventure. We donned our bathing suits in the morning and didn't take them off until the evening. It was our attire for breakfast, hunting for crawfish, drowning worms at the end of the dock, eating watermelon mid-afternoon and making s'mores at night at the campfire down by the lake. These are the memories of a day at the cabin.

For my wife, it was cross-country skiing at the A-frame in the woods, too many kids jammed on an old snowmobile or horse-drawn sleigh rides with her father at the reigns. Evenings were capped off around the fireplace playing games.



Family cabins or vacation homes are rare family treasures full of memories and

special attachments that for many family members have a value far in excess of the one carried on the financial statement. Unlike most things we have to pass on to our children, the family cabin lets us pass on the past and the opportunity for our children and grandchildren to savor the experiences and build their own family memories, if it is done well.

**The Unique Challenge**

Few children or grandchildren will have feelings about the division of inheritance of IBM stock. Everyone can have their share and do with it as they please. One can sell it and the other save it and no one gives it any thought. It is not so with the family cabin.

The children and grand-children already have thoughts about it. Unless you have explained to them



what will happen to it, they are most likely wondering and many will have opinions about what should happen to the cabin. Unlike IBM stock, the family cabin carries intangible values and sentiments that many children and grandchildren do not want to lose but want to continue to experience with their children. The unique challenge for many families is how to pass on the family cabin in ways that strengthen the family and encourage relationship and family unity rather than force a sale to an outsider resulting in years of unspoken or spoken strife.

I have watched a client struggle in a deteriorating relationship with her brother because the family could not figure out a way to use the cabin together. As a result, the brother decided to sell it on the market rather than to his sister who was willing to pay more. Future family Thanksgivings will be a challenge, if they occur at all. With a little planning, which itself is meaningful and unifying, this family could have moved

forward with peace and enjoyment rather than strife. It is not that hard to do.

### **Preserving the Family Vacation Home**

This can be done with a little intentional planning and it works for recreational property and vacation homes as well as family cabins. Following these steps can not only result in years of future generation enjoyment but also make the planning process a good experience:

#### 1. Assessing the Family's Feelings

Your children and grandchildren have opinions about the family cabin. For some it may carry little future attraction while for others it may carry a strong desire to preserve it and use it. Determining the feelings and wishes of the family will be crucial to developing a successful master plan for the use of the family cabin. A simple way to get honest answers from family members is to have them respond to a questionnaire that explores a variety of topics such as why the cabin is important to them, their future desires for its use, ways in which they anticipate it could be used, financial concerns for the ongoing use, maintenance of the cabin and others. Asked properly, these questions should highlight the value of the cabin while identifying the areas of specific planning to avoid problems.

#### 2. Building a Plan

With the input from the family, the parents' next step, with our help, is to develop a master plan for the future of the cabin. This will include addressing questions such as:

- ❖ Should the cabin be used individually or collectively or both?
- ❖ What are the guidelines or rules for use of the property?
- ❖ How will the property be maintained and repairs be made?
- ❖ How will the financial responsibility for the property be handled?

There are a variety of practical and creative ways to address each of these questions as well as others that will be raised.

#### 3. Adopting a Master Plan

While the parents or senior generation prepares the initial draft of the master plan, it is important to have the input of the junior generations.



The steady hand of the senior generation will help the junior generation resolve any differences and conclude on a workable management plan for the future use of the property.

#### 4. Structuring the Management

To protect the family and the vacation property, individual ownership of the property is generally not the best structure. Depending upon estate tax considerations, the property may be held in a revocable trust or a family limited liability company or partnership.

In these structures, the manager or management team will be appointed, and any desires, rules or guidelines will be adopted and protections incorporated. The protections desired usually address the possibility of a creditor claim on a family member, a possibility of a divorce by a family member, the claim resulting from an injury at the property or the claims of others on the estate of a family member who passes away.

5. Protecting Against Claims on the Senior Generation

In addition to protecting the property for use by future generations, the goals include protecting property from claims that could be made against the parents that would jeopardize the property. The two biggest concerns are the risk of loss of property due to nursing home costs or the forced sale of the property to pay estate taxes. In proper planning, both will be considered and protections will be incorporated to the extent allowed by law.

6. Implementing the Plan

One of the benefits of this type of planning is the ability of the parents or the senior generation to incorporate the plan during life and watch its implementation. This gives the parents the opportunity to guide the next generation and to smooth out the concerns or problems that might arise. This gives the greatest chance of success for the next generation to enjoy and fully utilize the family cabin. It also gives the senior generation the opportunity to consider adjustments to the plan.

7. Funding for Upkeep

A part of any good plan includes a discussion of the financial responsibilities of maintaining the property. Taxes, utilities, insurance and routine maintenance are all part of owning vacation property. Addressing these costs upfront and paying for them are important to the success of the plan and unity of the family. With up front consideration there are ways to “endow” the property to relieve some of the burden on the future generation and to address potential inequities as a result of the varying financial positions of family members of the next generation.

**Next Steps**

This overview is only a summary and inadequate to fully address the questions and needs that actually arise. For that reason, we are providing a roundtable opportunity for those who are interested in exploring this further. This will be a small, no-charge discussion group of 8 – 10 people who are interested in learning more. If you would like to participate in this initial discussion, please contact Jessica Wiersbe at [jwiersbe@howselaw.com](mailto:jwiersbe@howselaw.com) or 763-577-0150.

⌘ ⌘ ⌘

*The Planner* is a newsletter sent courtesy of Howse & Thompson, P.A. for general information purposes only and does not constitute legal advice. Readers may consult with the attorneys at Howse & Thompson to determine how laws, suggestions and illustrations apply to specific situations.