SAVE THE DATE

2015

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All I want for Christmas is……

I bet many of you were thinking or possibly started humming that novelty children's song, "All I want for Christmas is my two front teeth". This childrens classic was written by Donald Yetter Gardner in 1944, while teaching music at public schools in Smithtown New York. Maybe all you want for Christmas is peace, in your family settling your estate when you leave this earth. Actually it is quite simple when you plan ahead.

For many of you down the shore, your largest asset may be your vacation home followed by your retirement assets.

In the last issue, Endless Summer, I discussed the headache of leaving the shore home to your loved ones at death. Hopefully you have had discussions on what to do and thought about the potential land mines that can pop up. Recently while speaking to a group of residents at a retirement village, I was discussing the same thing. This topic is emotional, so emotional that while speaking, a woman in her late 70's blurted out, "it would never happen in my family". She went on to say that her two children, both daughters, got along so well that there would never be an issue. By the end of my talk, she wasn't as sure.

For those of you with only one child, it's a no-brainer. You will leave the vacation home with the balance of your estate to them. The question may be can they afford to maintain the upkeep of the house when you're gone.

If you have two or more children, then your options start out like a cloudy beach day. With the right planning the day may turn into one of late sun and fun on the beach.

Like the woman who blurted out, it wouldn't happen in her family, it will depend on what you do.
Here are some of the options to consider.

Joint Tenants with Rights of Survivorship
Basically this means that your children will own the shore house when you die, jointly. Each child will own part of the shore house equally. There will be no leader, so when problems arise, they will just have to work it out. When one of your children dies, their share will pass to the surviving children equally. Your deceased child's family will no longer have any rights to the vacation home. This is probably not what you intended.

Joint Tenants in Common
Similar to Joint Tenants with Rights of Survivorship, it will pass to your children. Each child will own a piece of the shore house when you die. The difference is when your child dies; <u>their</u> percentage of ownership will pass to <u>their</u> family. It accomplished what you wanted, which was to keep the home in your family. Problems are sure to arise. How about if the son or daughter in law decides to sell their share? What happens? What happens when your son or daughter in law dies and their share is now owned by your grandchildren? You now may have your surviving children dealing with their nieces and nephews on all of the home owner issues. It will become an interesting kettle of fish. This may not be what you want to do.

Partnerships
You leave the shore house to a partnership you create. The partnership is comprised of each your children and what percentage each of them own. Sounds good so far. You can list who will be the managing partner. This will be the one who is the leader in charge of everything that has to happen from paying taxes, making improvements to which child gets which week to enjoy the home. Naming the person who

becomes the managing partner may cause hard feelings but you are not around to help smooth things out. The good thing is you can list as many headaches as possible and how they will be handled.

Creating a Trust

This will accomplish exactly what you want to do. It also may bring peace to the family, since you have already anticipated most of the issues that were sure to arise. As the Matriarch or Patriarch of the family, you have gotten it right. Many people have shared their vision with me on how they see the shore house remaining in the family for generations to come. It is almost like speaking about Camelot and the Kennedy compound. With a trust, you should also leave enough assets which will pay the expenses for your family compound for generations to come. You could leave stocks, bonds or just cash in a trust account, which generate income to pay real estate taxes, maintenance as well as capital improvements so it always stays in the same great shape it is in now.

You have named a leader, which is called the trustee. This may be a person or a corporate trustee. A trustee will follow the rules you created. Of course, it costs money since the trustee will have to be paid. Since you also left assets to pay for ongoing expenses, the company managing the assets also has to be paid. It may be a small price to pay to keep peace in the family.

Your children, your grandchildren, heck even great grandchildren (the ones you don't even know yet) will continue to create the memories down the shore. They will be beneficiaries of the trust. They will benefit from the great planning you are doing now.

The trust document outlines all of the rules. It lists the trustee, the successor trustee and what happens if the trustee has to be changed. It lists all of the contingencies that may need to be dealt with, down to rebuilding if the next Hurricane Sandy wipes out your family home.

Your next step is to sit down with an attorney who is well versed with the above. The attorney will guide you, as you decide on the best way to keep your shore home in the family for generations to come. Heck, maybe once your done reading this, you may decide to just have all of your real estate sold and let your kids decide if they want to purchase their own shore home.

With the divorce rate at over 50%, you may also want to protect your retirement assets. When you die, you have probably left your IRA to your spouse. The problem arises upon their death. There have been some recent changes with inherited IRAs upheld by the Supreme Court. When you complete your estate plan, a better way may be to have the secondary (contingent) beneficiary be a trust. This will guarantee your children stretch the IRA to have the potential for a lifetime of income and protect the asset from creditors. I will touch more upon the issue of the proper beneficiary arrangements in the spring issue.

Now that you have decided on what to do with your shore home, take a refreshing (some may say cold) walk along our beautiful beach knowing you have created peace within your family. Merry Christmas and Happy Hanukah to all! May 2015 be one of good health, wealth and happiness to you and your family. As always, if you have any questions please feel free to contact me.

Fred Dunbar, CLU, ChFC, RFC, AIF®, is President of Planning Directions, Inc., a registered investment adviser, and Common Cents Planning, Inc. He is also a registered representative of and offers securities through Commonwealth Financial Network, member FINRA/SIPC. Advisory services offered through Planning Directions, and fixed insurance products and services offered by Common Cents Planning, are separate and unrelated to Commonwealth. Fred may be contacted at 800-647-0762, by e-mail at fdunbar@commoncentsplanning.com or by mail at 239 Baltimore Pike, Glen Mills, PA, 19342. He's always happy to meet with you 'down the shore' at 6606 Central Avenue N. Sea Isle City, NJ. 08243.