FINANCIAL JOURNEYS

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Your home's next chapter

Open communication can help your family navigate what your home represents and what comes next

Your home is full of heartwarming memories: your children's first steps, the holidays hosted, the birthdays celebrated and countless other milestones. If you decide to keep your home in the family by passing it on to your children, communicating openly with your loved ones now helps them honor your wishes and make informed decisions about what comes next.

For many baby boomers, homes they own, whether their primary residence or a second or vacation home, are a significant part of the inheritance they plan to leave their loved ones. In fact, homeownership has contributed greatly to their ability to build wealth due to home values increasing in recent years.

However, for younger generations, things like paying down student debt and saving for a retirement without pensions often delay their own homeownership plans. While your children likely love the family home as much as you do, these financial realities may make inheriting a home feel daunting. Starting the discussion about this process now can help them understand your wishes and allow you to have a fuller picture of what best suits your family's needs.

EXPLORING THE PATH FORWARD

It's important for your heirs to consider how they see the home fitting into their lives and for you to consider how you wish to eventually transfer ownership. Taking the time to communicate these ideas is a way to ensure that your wishes are properly enacted. Transferring ownership also involves logistics, like whether your heirs will own the home outright or be responsible for an existing mortgage.

Living in the home or keeping it as a rental property would come with certain costs, like property taxes, insurance and maintenance. Or you may decide together it makes the most financial sense for your heirs to sell the home.

For many families, taxes may factor in less than expected. Federal estate taxes generally apply only at the highest wealth levels, so most households won't encounter them, though a few states do impose estate or inheritance taxes. Understanding these distinctions ahead of time can help families plan thoughtfully.

RAYMOND JAMES

Your home's next chapter (cont.)

In some cases, the right choice may be for you to downsize or relocate while you're still able to do so on your own terms, to reduce future financial and logistical considerations for yourself and for loved ones.

CONSIDER AVAILABLE STRATEGIES

When passing on a home, there are several ways to transfer ownership. Different factors, such as whether you're considering passing on your primary home or an additional home or property, can impact how you proceed, so you may want help pinpointing the strategy best suited to your family. Some examples are:

DIRECT TRANSFER

This allows ownership to be transferred intergenerationally by deed. There are various options, including joint tenancy with rights of survivorship, tenants in common, life estate or transfer on death. In some of these arrangements, the adult child is added to the deed during the homeowner's lifetime, and their financial or legal obligations or other personal circumstances could affect the home, which may be something to consider. Additionally, if a home is transferred during the owner's lifetime, the transfer may be treated as a gift for tax purposes, and the recipient generally does not receive a step-up in cost basis. Transfers at death may have different tax implications, but state inheritance or estate taxes could still apply. In some cases, changing ownership may also affect homestead benefits or property tax rules, which vary by state.

USE AN LLC

Depending on your state's laws, you can name your home as a limited liability company. You keep at least 51% and designate your children as members of the rest. An operating agreement sets procedures to transfer ownership and guidelines for property use. LLCs offer flexibility, potential reduction of your taxable estate and protection for family members, but it can be costly to establish and maintain. Some lenders also may not offer traditional residential mortgages for properties owned by an LLC, and transferring a mortgaged home into an LLC could trigger provisions in some loan agreements that require the remaining loan balance be paid immediately.

TRUST

Trust agreements outline terms of use and how the property will be transferred, held and managed. Trusts allow some degree of control and can be less expensive to draft and implement than other options. There are many types of trusts, some with more flexibility than others, so consult an expert or estate attorney.

Each strategy comes with different benefits and considerations, including gift or estate tax implications that may impact how you decide what's right for your family. Whatever you decide, keep conversations going with your family to foster clarity and comfort, and help ensure your wishes are understood and supported. ■

The good of gratitude

Practicing daily gratitude can positively impact your health

Focusing on the good in life can have measurable benefits. Research has shown the health benefits of gratitude include:

LESS STRESS, BETTER SLEEP

Practicing gratitude daily can lower stress, bring your heart rate down, calm an overactive nervous system and help you sleep better.

ALLEVIATE DEPRESSION

Evidence suggests that gratitude improves depression symptoms and boosts optimism and emotional resilience when challenges arise. Focusing on accomplishments instead of shortcomings also strengthens your feelings of self-worth.

HEART HEALTH

A daily gratitude practice can help lower blood pressure and boost the body's ability to fight illness.

Spend some time each day focusing on what you're thankful for. Try keeping a gratitude journal by writing down a few of these things daily to help you reap the health benefits.

Putting your digital life in order

How to include online services, important documents and digital family mementos in your estate plan

Your digital life may seem difficult to organize. Locked behind disparate accounts, spread across devices and put out of mind because they are out of sight, it may seem challenging to wrangle all your digital belongings. Unlike tangible items like heirloom jewelry or vacation homes, or intangible but well-established considerations like financial securities and accounts, aspects of your digital life aren't always top-of-mind when building and maintaining an estate plan.

But neglecting these things may create difficulty for your family members later on and could lead to the loss of items with incredible value – both sentimental and monetary.

As the number and types of digital property are continually growing and are locked within a hodgepodge of accounts and subscriptions, getting a handle on your digital estate can be tricky. A diligent, steady approach to keeping inventory of your digital life can help bring order to this process.

WHAT IS PART OF YOUR DIGITAL LIFE?

Their scope and nature continues to evolve, but common examples include financial accounts, service accounts, legal and financial documents, cloud storage, health records and media collections (movies, e-books and the like). Email and social media accounts would also fall under this umbrella.

Priceless family photos or videos that would have previously lived in physical albums or tapes may now live on your phone or other devices. These, also, are considered digital property. In addition to memories you've captured are things you've created: intellectual property like designs, literary materials, blogs, websites and program code for which you own the copyright.

It's helpful to take a gradual approach to thinking through your digital life, rather than trying to compile one big list from the get-go. If you start now, a little at a time, you can account for it in your planning in a comprehensive, thoughtful way.

CONSOLIDATED STORAGE

For digital property not tied to specific service accounts, including photos, videos and PDFs of health records and legal paperwork, you may consider setting up a cloud-based backup system to consolidate devices, accounts and services. A financial advisor, estate planning attorney or trusted family member can help you access these tools so you can organize them while maintaining gated access and rigorous cybersecurity.

For online accounts, it's a good idea to change passwords regularly for security reasons. A secure password manager can make it easier to manage strong, complex passwords while providing a simpler way for loved ones to access the accounts if needed.

ORGANIZING NOW FOR LESS STRESS LATER

There can be other benefits to organizing your digital life. Inventorying your digital belongings and accounts can also help you eliminate subscription charges from services you no longer use. It can also help to simplify access to important accounts in the case of an emergency. That way if, for example, you became incapacitated, your loved ones could access things medical like clinic portals or utility bills on your behalf.

Creating an estate plan is an act of love. By making your intentions clear with a holistic, comprehensive plan, you help reduce additional stress and friction for your loved ones. While the idea of a digital life may feel new or complex, accounting for these items in an estate plan follows the same foundational principles as with any other asset.

And with all planning practices, it's better to have a plan too early than to need one suddenly. Your professional team can assist in accounting for your digital life in your long-term plan. ■