

3 Ways to Transfer a Home to Children

If you intend to transfer ownership of a family home to your children, there are several ways to do so as part of estate planning. Each option has pros and cons. It's important to understand them before selecting an option. Here's a quick overview of 3 ways to transfer a home to children.

1 – Upon Your Death

The option you're likely most familiar with is to transfer ownership upon your death. You can bequeath assets in your will. After the [probate process](#), which can take months or even years (depending on the circumstances), your children will take ownership of the home. They may then decide what to do with it, whether it be to live in or sell it. Capital gains taxes are calculated based on the value of the home when you became deceased.

2 – Through a Trust

Another option is to transfer the home into a [trust](#). Trusts can vary depending on the type and the terms outlined within them. A home is typically placed in the trust while you are living. The tax basis and capital gains exclusions available depend on whether it's a revocable or [irrevocable trust](#). Certain trusts bypass the probate process, which is a huge benefit. It is extremely important to [consult with an estate planning professional](#) before creating any type of trust. Weigh the tax implications and advantages to both you and your heirs.

3 – Gradually While You Are Living

One of the least known ways to transfer a home to children is the gradual method. In general, you may gift up to \$15,000 per person each year, tax-free. If you are married, both you and your spouse can make a gift to the same child, totaling \$30,000 per year. You can use the gift tax exclusion to gift the equity in your home.

As an example, let's assume you are married and have 3 kids. This allows you to gift \$90,000 in total equity to your children each year. The advantage of this approach is the transfer of your home could ultimately be tax-free if you manage to gift the entire equity over time. The downside is, you must file a new deed every year indicating the ownership percentage change (based on the gifted equity and current market value of the home). There are two additional concerns potential negatives. When your kids go to sell the home, capital gains are calculated based on the value of the home when you made the first equity gift. Secondly, you will lose some or all control over this asset while you are living.

Summary of Ways to Transfer a Home to Children

As you evaluate these different ways to transfer a home to children, consider a few things. Do you wish to retain control over your home (and the right to live in it)? How will your estate tax amounts change with each option? What capital gains might your children encounter? The best option for you depends on your overall estate value, relationship with your children, and personal preferences. This is one of many topics that your estate planning attorney will discuss with you. Becoming educated on the full pros and cons of each will help you make an educated decision for your estate plan.

[Contact our team of Massachusetts estate planning attorneys](#) to schedule a consultation.