

LAWYER FOR *Life*

KEEPING YOUR FAMILY HEALTHY, WEALTHY & WISE

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House-Rich, Cash-Poor: The Estate Planning Problem Rarely Talked About

For many families, the home is more than a place to live — it's the largest asset in the estate, especially with rising property values all across the nation. But when a house makes up the bulk of someone's wealth, it can create unexpected challenges for heirs. Real estate may be valuable, but it isn't liquid, and that can complicate even well-intentioned estate plans.

A house can leave heirs "asset-rich, cash-poor." Why is that a problem? Well, after a death, expenses don't stop. Property taxes, insurance, utilities, maintenance, and potential mortgage payments continue. At the same time, estates may need cash for funeral costs, legal

fees, or taxes. If most of the wealth is tied up in the home, beneficiaries may feel pressure to sell quickly, sometimes at less-than-ideal terms.

Further, emotional value and financial reality often clash. Children may want to "keep the house in the family," especially if it's a longtime residence or vacation property or has been in the family for generations. But shared ownership can lead to disagreements over use, upkeep, and costs. One sibling may want to sell, another may want to live there, and another may not be able to afford their share of expenses. Without clear planning, the property can become a source of conflict rather than a legacy.

(Cont.)



Kimberly T. Lee
Attorney at Law



Mary P. Kelly
Attorney at Law



Joseph Slagley
JD

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(Cont.)

When real property is involved, equal inheritance can become unequal in practice. If one child receives the house and others receive cash or investments, determining fair value can be complicated. Markets change, appraisals differ, and liquidity needs vary. What looks equal on paper may feel very different in real life. If the child inheriting the home doesn't have the cash assets to maintain it - is that a fair distribution?

Luckily, planning can create flexibility. Estate planning tools can help families address these risks in advance. This might include providing instructions about whether the home should be sold, creating a plan for buyouts among heirs, setting aside funds for maintenance, or using trusts to manage shared property. In some cases, planning for liquidity — through other assets or life insurance — can reduce pressure on beneficiaries.

A home can be a meaningful part of a legacy, but it's important to plan not just for who receives it, but for how it will realistically be handled. Addressing these issues ahead of time helps ensure the property remains a blessing, not a burden, for the next generation. Be sure to speak with your estate planning attorney about your goals for the real property you are leaving behind.

When Adult Children Shouldn't Serve as Trustees

When people create a trust, naming an adult child as trustee often feels like the natural choice. After all, who knows the family better? Who cares more? While that works well in many situations, it's important to understand that "family" and "fiduciary" are two very different roles. In some cases, asking an adult child to serve as trustee can create more problems than it solves.

A trustee's job is not just to "be in charge." A trustee has a legal duty to manage assets prudently, follow the terms of the trust, treat beneficiaries fairly, keep records, handle taxes, make distributions appropriately, and sometimes say "no" - even to siblings or other family members. That's a significant responsibility, and it can put adult children in very difficult positions.

Family conflict is one of the biggest risks. When one child is trustee and others are beneficiaries, even routine decisions can feel personal. A decision about when to make a distribution, whether to sell a home, or how to invest trust assets can quickly turn into accusations of favoritism or mismanagement. Even in loving families, the trustee-child can become the "bad guy," simply for following the rules.

Even though the world is doing more things remotely all the time, geography matters more than people expect. If the trustee lives in another state, managing property, meeting with advisors, or handling practical tasks can become burdensome. Time zone differences, travel costs, and unfamiliarity with local professionals can complicate administration.

Also remember, being responsible doesn't mean being equipped. A child may be trustworthy and well-intentioned, but still lack the financial, legal, or organizational skills required. Trust administration involves recordkeeping, tax reporting, investment oversight, and sometimes complex distribution standards. Mistakes can expose the trustee to personal liability.

And the emotional toll is real. Serving as trustee often happens during periods of grief, stress, or ongoing family tension. Making financial decisions about a parent's legacy while managing sibling expectations can strain even strong relationships.

For these reasons, many families consider alternatives, such as a professional fiduciary, trust company, or co-trustee arrangement. A neutral third party can reduce conflict, bring technical expertise, and allow adult children to remain in the role they value most: family. While a neutral party may incur more costs, in the long-run, preserving family harmony may be the preferred goal.

Choosing a trustee isn't about trust in that person alone — it's about matching the job to the right person to carry out that role. Thoughtful planning early can help preserve both assets and relationships later.



A PERSONAL NOTE FROM KIMBERLY

Dear Clients and Friends,

Thank you for reading our newsletter! We hope you find the insights helpful in enriching your knowledge in the area of estate planning.

Life changes, and your plan should keep up with it too. If it's been a while since your last review, now is a great time to ensure it still aligns with your wishes.

Schedule an appointment today to update your planning and secure peace of mind.

