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Why Real Estate Can Be the Trickiest Inheritance of All

When most people imagine leaving a legacy, the picture is clean and simple: children splitting the estate evenly, no drama, just gratitude. Reality, though? It's rarely that tidy—especially when real estate is involved.

Cash is easy to divide. A brokerage account can be split three ways with a few signatures. But a beach house, family farm, or rental property? That's where things get complicated.

We've seen more than a few families strained not by what their parents left behind, but how they left it. And real estate often sits at the center of that tension.

The Financial Snags

Real estate looks neat on a balance sheet. "House, \$1,000,000." Simple, right? Not so fast.

Imagine three kids inheriting a \$1.5 million estate: \$500,000 in investments and a \$1 million lake house. One child wants the house, the others want cash. Now what?

- Do you sell the house?
- Does one child buy out the others?
- If so, at what price—appraised value, market value, or some "family discount"?

- And where does the money come from if the child who wants the house doesn't have a million-dollar mortgage approval sitting around?

Even if the heirs agree in principle, real estate isn't liquid. It can't be sliced into neat thirds without a sale. And sales come with timing issues—maybe the market's weak, or maybe one sibling wants to hold until prices recover while another needs cash now.

Then there are carrying costs. Property taxes, insurance, repairs, landscaping. Maybe Mom and Dad quietly paid the \$20,000 a year in expenses, but now the kids are staring at those bills—and debating who owes what.

This is especially sticky when one sibling lives near the property and uses it more, while others live across the country. Resentments build quickly: "Why should I pay half the taxes if you're the one enjoying the lake house every other weekend?"

The Emotional Snags

If it were just math, it would still be tough. But real estate isn't just math.

It's memories. It's summers at the cabin. It's the home where every Thanksgiving turkey was carved, where prom photos were taken,

where the dog is buried under the oak tree.

That emotional weight makes decisions harder. One sibling may see the family farm as priceless, tied to identity and legacy. Another may see it as a financial anchor keeping them from moving forward.

I've watched siblings go years without speaking, not because they didn't love each other, but because they couldn't agree on what to do with the house their parents left them. In the end, the property outlasted the family relationships it was supposed to strengthen.

And here's the painful truth: no one fights over the cash account. They fight over the stuff that feels personal. Real estate sits at the top of that list.

The Role of Trusts

This is where planning can make all the difference.

A well-drafted trust can:

- Spell out buyout terms. If one heir wants the property, the trust can require a professional appraisal, give a timeline for payment, and even allow installment payments. That avoids the "you're shortchanging me" argument.
- Create usage rules. For vacation homes, a trust can define who gets what weeks, how expenses are divided, and what happens if someone doesn't pay their share.
- Establish exit strategies. A trust might allow the property to stay in the family for ten years, then require it be sold. That way, heirs get a decade of shared memories but don't inherit perpetual gridlock.
- Provide a neutral referee. A trustee—whether a professional or a trusted family friend—can enforce rules, making it less personal when decisions need to be made.

Trusts don't erase every challenge, but they replace ambiguity with structure. And in estate planning, structure is a gift.

Equal Isn't Always Fair

Here's where parents often get stuck: they want to be "fair." But

fairness isn't always the same as equality.

Say one child has always loved the family farm and helped work it, while the others live in cities and have no interest. Equal division says each gets a third. Fairness might mean the farm goes to the child who values it most, with other assets (or life insurance proceeds) going to the others.

Life insurance is an underrated tool here. A policy can create liquidity that balances the scales, so one child gets the property and the others get cash. That way, no one feels shortchanged.

Sometimes, though, the kindest choice is the hardest: selling the property during life and passing down cash. That can feel cold compared to leaving the "beloved family home," but it may save your kids years of strife.

Taxes, Probate, and Other Wrinkles

Beyond family dynamics, there are technical issues:

- Step-up in basis. Inherited property typically gets a step-up in cost basis, which can reduce or eliminate capital gains if sold shortly after death. But if one child holds the property for years and later sells, they alone may shoulder future tax consequences.
- Probate delays. Real estate often gets tied up in probate, which can drag out months or longer. A trust can bypass this, giving heirs quicker clarity.
- Joint ownership issues. If siblings inherit a property outright (outside of trust), any one of them can force a sale through a partition action. That's a legal nuclear option that tends to destroy family bonds along the way.

A Practical Way Forward

If you own real estate you want to pass down, here are some questions worth wrestling with now—while you're here to give answers:

1. Do they actually want it? Not just in theory, but in practice. Would they really take on the costs, upkeep,

and logistics?

2. Can they afford it? Nostalgia doesn't pay property taxes or replace the roof.
3. Do they get along well enough to co-own it? If they already struggle to split holiday plans, owning a house together may be a recipe for conflict.
4. What tools can you use to make this easier? Trusts, life insurance, or even a simple, detailed will can set expectations.
5. Would selling now be simpler? Sometimes, clearing the deck is the best way to protect family harmony.

The Bottom Line

Real estate is powerful. It carries both financial weight and emotional significance. But it's also messy. Without planning, it can leave heirs with stress instead of security.

It's not just about weighing through the dollars, it's about weighing through the dynamics. Sometimes that means keeping the property in the family. Sometimes it means selling to preserve harmony. And sometimes it means using tools like trusts and life insurance to create a roadmap that keeps siblings out of courtrooms and in each other's lives.

Because at the end of the day, what you leave behind isn't just assets. It's relationships. And the best legacy is one that helps your family stay a family.

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