

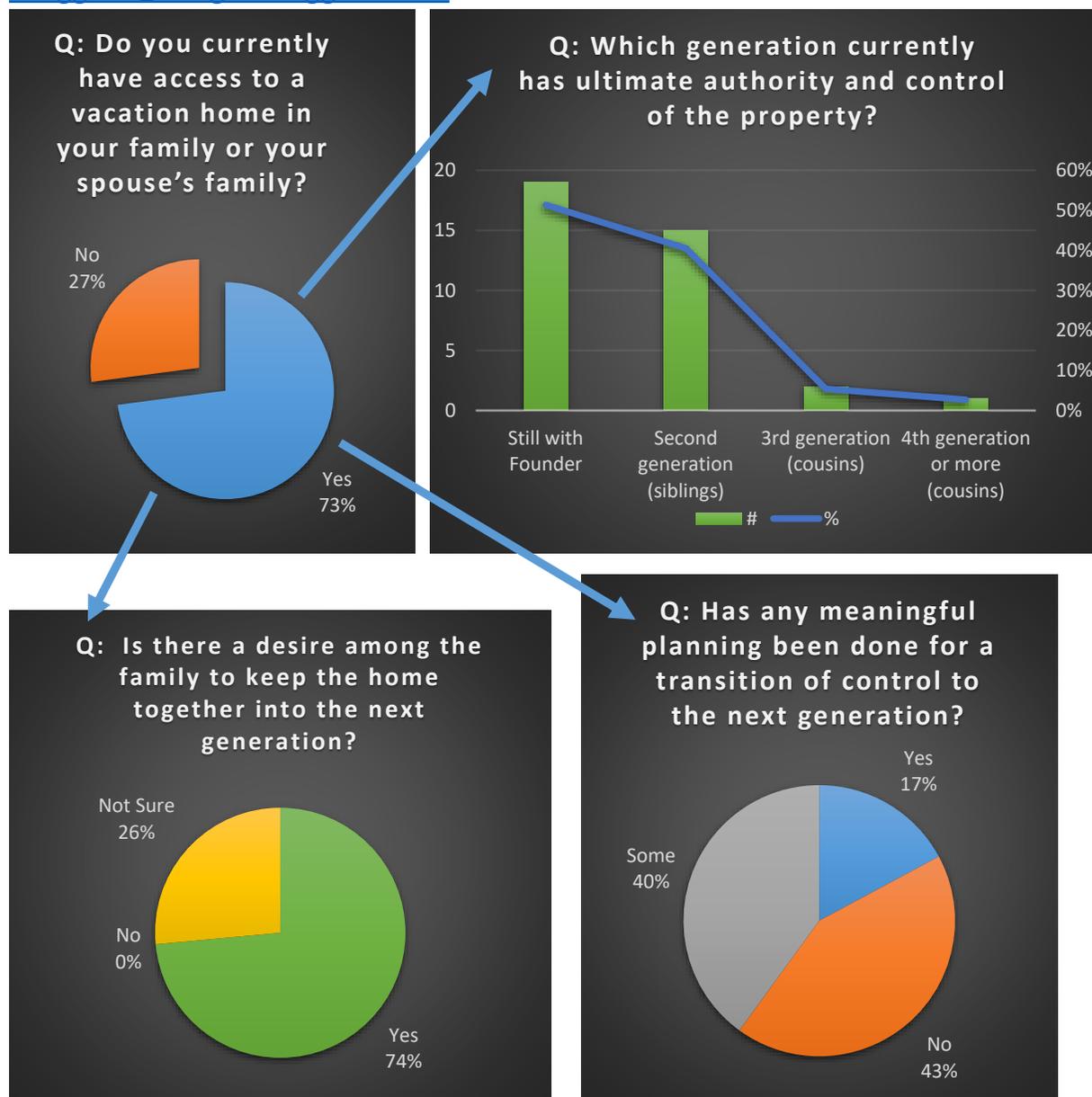
## Recreational Homes in a Family System (Post Event Notes)

[Burgher Haggard](#) and [Excellence in Giving](#) hosted two private gatherings with over 100 individuals in September 2016. The discussion focused on Recreational Homes in a multi-generational family system. We took a survey and want to share those results; they are based on 48 responses. Please feel free to share.

For those of you (or your clients) that might need help facilitating a meeting to discuss the future of a family recreational home, I'd be happy to help guide the discussion, questions, and action plan for the family.

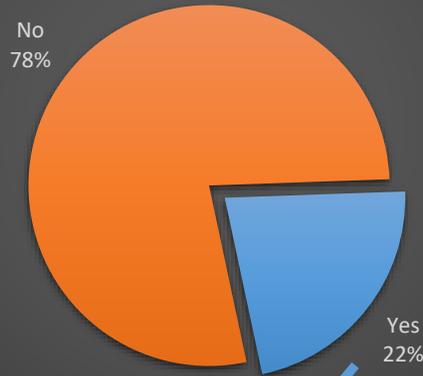
Clint Haggard

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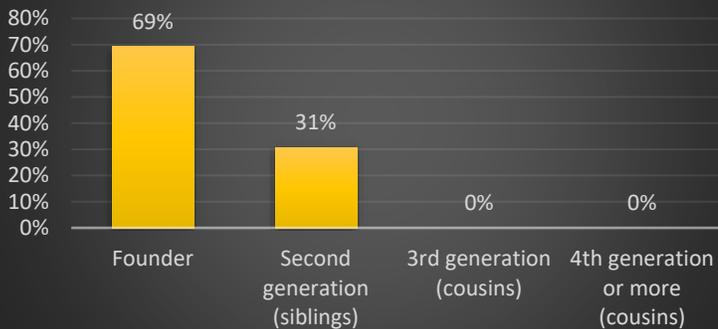


# Recreational Homes in a Family System (Post Event Notes)

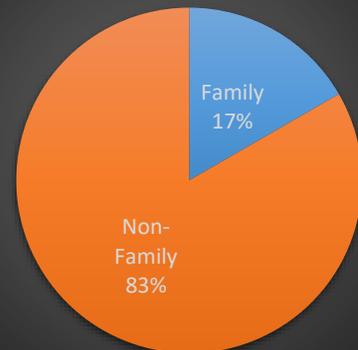
**Q: Has Your family (or spouses's family) sold a family vacation home?**



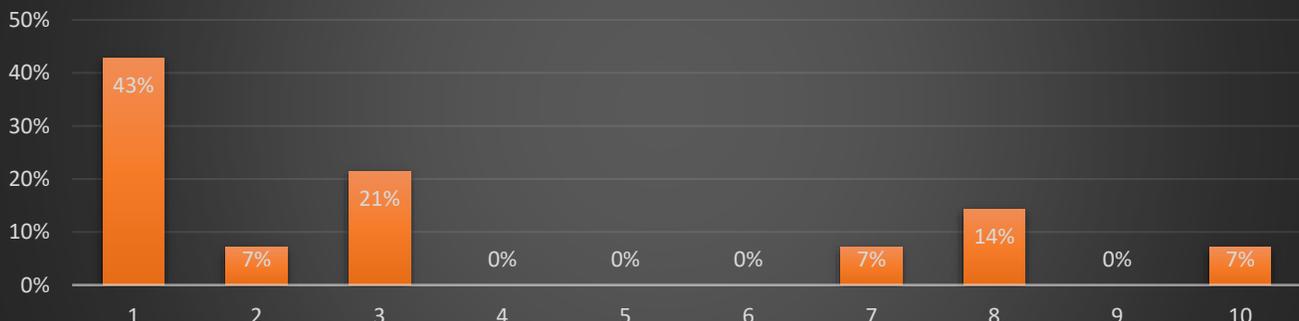
**Q: What generation of Authority/Control did the sale occur?**



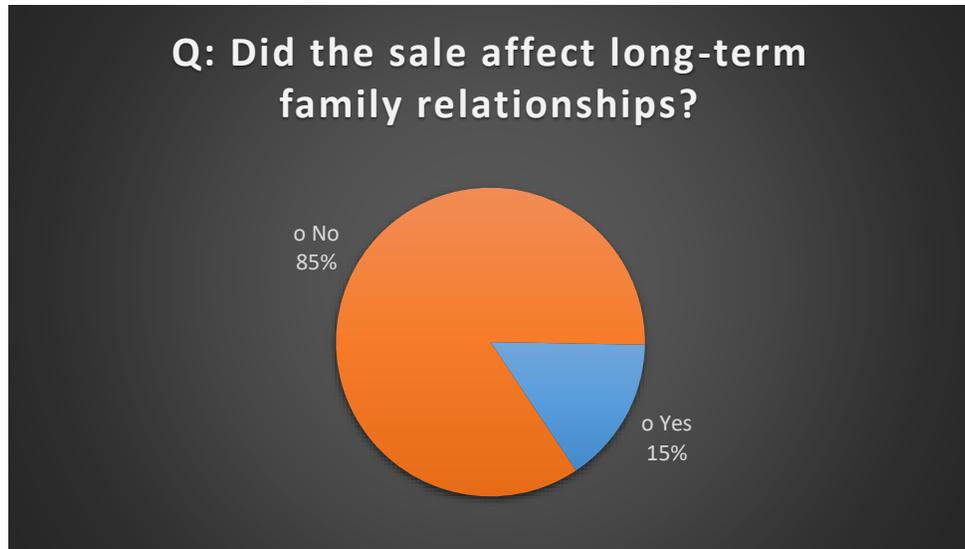
**Q: Who was the Buyer?**



**Q: On a scale of 1-10, how much inter-family conflict was created from the sale of the property?**



## Recreational Homes in a Family System (Post Event Notes)



**Below are the Presentation Slides:**

**RECREATIONAL  
PROPERTY IN A FAMILY  
SYSTEM**

Hosted by:  
Burgher Haggard  
&  
Excellence in Giving



**“THERE IS NOTHING THAT SO GENERALLY  
STRIKES THE IMAGINATION AND ENRAGES  
THE AFFECTIONS OF MANKIND, AS THE  
RIGHT OF PROPERTY...”**

Sir William Blackstone



## **WHY SOME FOUNDERS DREAM ABOUT KEEPING IT IN THE FAMILY AFTER THEY ARE GONE**

- Preserve Childhood Memories/Emotions
  - Family Heritage/Traditions
  - Family Unity
  - Shared Family Values
  - Family Pride
  - Appreciation of Value
  - So they are Remembered (self actualization)
  - Others?
- 

## **CHALLENGES TO THE “FOUNDER’S DREAM”**

- Ownership passing to a child’s spouse via divorce
  - Inability (or unwillingness) of an heir to meet their financial obligations
  - Bankruptcy of an heir → Creditor ownership
  - Someone wants Out
  - Conflicts on how property is Operated or Maintained
  - Inability for heirs to afford to keep the property
  - Others?
- 

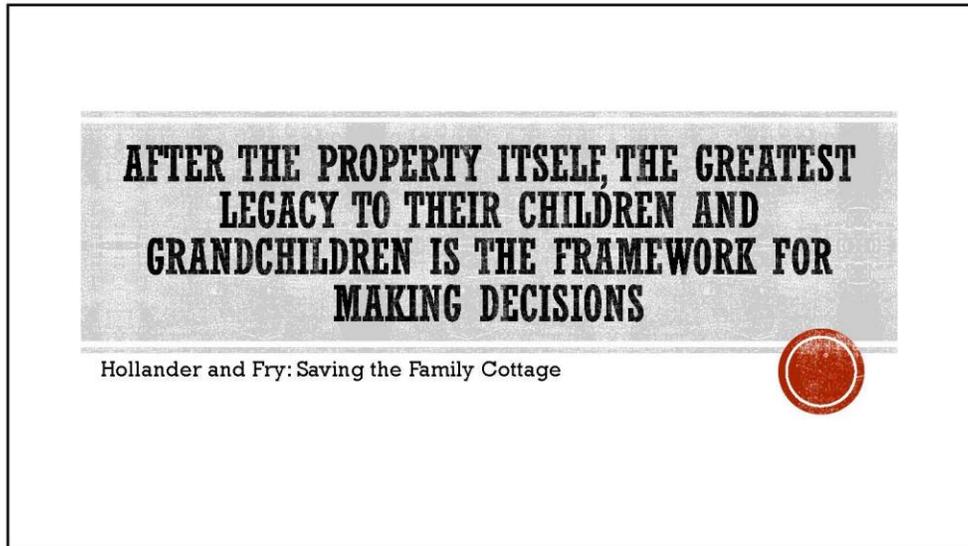
## THE RABBIT PROBLEM

# of Years	Generations							Alive
	1st	2nd	3rd	4th	5th	6th	7th	
0	2	2						4
25	2	2	4					8
50		2	4	8				14
75			4	8	16			28
100				8	16	32		56
125					16	32	64	112

this chart assumes each owner has 2 children and lives 75 years  
adopted from Saving the Family Cottage by Hollander & Fry

## GROUP ASSIGNMENT!

- What are the basic expectations a family should discuss/agree to in order to reduce risk of conflict? Are these different/change as the family grows into the 2nd and 3rd generation (cousin ownership?)
- What are some ideas to handle the cost of ownership (maintenance & capital improvements) beyond the 1st generation family owner?
- What are some ideas to determine who uses the home (and when)? What's a fair arrangement?
- What type of rules and policies have you seen that help a family?
- Legal or tax strategies that are worth mentioning for recreational properties?



## Feedback from Group Discussions....

- **What are the basic expectations a family should discuss/agree to in order to reduce risk of conflict? Are these different/change as the family grows into the 2nd and 3rd generation (cousin ownership?)**

Ask the family if they want to keep it together. A lot of times the next generation doesn't have the opportunity to answer this question until there is a problem.

Ask the family what happens if someone wants out at some point. A Put/Call feature was discussed as a tool if someone wanted out or if someone wasn't paying their share of the load. Discounts were mentioned and having a method in the agreement on how value is determined.

Who's our designated "Point Person" or "Committee" to manage Maintenance, Calendar (for use), and the Budget for annual expected Costs?

Might consider using a 3<sup>rd</sup> party management company

Recreational properties should meet 2 of 3 objectives: Profitable, Appreciating, Enjoyed. If 2 of the 3 are not met, sell the property.

What key information do we need to know from Mom and Dad about the house before we take over as siblings? Possibly take over control before they pass away so they can mentor the transition.

## Recreational Homes in a Family System (Post Event Notes)

How are we going to pay for the property ownership costs?

Who can use the property (family only? Friends? (Guest Policy) Invited Friends only? Family members under a certain age?) Pets allowed?

What are things that we need to vote on as a family and what things can we let the “Point Person” or “Manger Committee” handle on their own? Large decisions should stay at a voting level of all Members (Sale, Capital Improvements, Manager(s) Selection, Amending LLC agreement, getting a Loan, Purchase of Additional Property) Annual Budget approval, Maintenance, should stay at Manager level.

Have a check list for people to use when arriving and leaving the property (towels and sheets in a certain place, gas the boat up, trash out, HVAC setting, etc...)

Have a way for people to communicate maintenance problems with the place so they are fixed. Possibly a designated person for Maintenance issues. Should have a list of go-to contractors in the area.

Have founding generation define the culture of the property use in a written statement. “we built this place for us to get spend time together as a family...” A Mission Statement. This will help guide a larger family of what activities would not be acceptable if there’s ever a question (bachelorette parties, loud noises, drinking, safety around the place)

What will we allow a family member to do with their allocated time that they don’t use? Can they have friends use it? Is renting ok? If so, how much approval do we want as a family?

- **What are some ideas to handle the cost of ownership (maintenance & capital improvements) beyond the 1st generation family owner?**

Have a designated person put together a budget each year with estimated cash shortfalls needed. Request payments from family members. If they don’t pay, they don’t get to play. If at a Cousins level, have each Branch responsible for collecting under them. If one person doesn’t pay, the whole Branch cannot use house.

Rent Property during times when family does not use it. Or rent part of it in exchange for someone living full time on property to have someone watching over property, mowing, general care.

1<sup>st</sup> Generation set aside income producing assets (endowment) to fund ownership costs of property. Life Insurance policy has been used for some families.

## Recreational Homes in a Family System (Post Event Notes)

Charge by usage (daily rate). Remaining costs can be split up according to ownership.

Agree to capital improvements like a HOA does. In advance, with a plan and budget. Give time for family members to come up with the money. Some family members said a democracy is best, some said a dictatorship is best on these things.

Use of cameras and electronic key pads were discussed to help facilitate a contractor accessing the property without meeting them in person to unlock the door.

- **What are some ideas to determine who uses the home (and when)?  
What's a fair arrangement?**

Branch System- let the Branches each have equal time during the season/year and let each Branch allocate time within all the family members under them. That way if a family member has a problem, they are discussing with someone close to them (in their branch)

Have a designated person that's in charge of the Calendar. Use Outlook or a reservation management software that can be shared with the family.

Use a lottery system to draw for priority every year.

Seniority gets first priority every year. If the place is big enough, designate certain times of the year for all family.

- **What type of rules and policies have you seen that help a family?**

Be clear on who can use the property and at what age

Check list were mentioned (arrival/departure)

Rule for what happens when someone doesn't pay their share of the annual expenses. If it goes on for a year or two, they should be able to be bought out at a discount and paid out over the years at a low interest rate and low down payment.

Use a Branch system of ownership where the % of ownership and use is equal among each branch (2<sup>nd</sup> Generation-Siblings), no matter how many children each branch has. If someone wants out or is bought out, to keep Branch ownership equal, the Branch has first right to buy them out, then the Family as a whole (all Branches) would buy them out to keep it all equal.

Put everything in writing so everybody understands the rules.

## Recreational Homes in a Family System (Post Event Notes)

- **Legal or tax strategies that are worth mentioning for recreational properties?**

Put property inside an LLC where the Operating Agreement can be written for above policies and needs specific to the property. The LLC can be owned by a multiple children's Trusts to have two layers of protection.

To protect the property from a non-family spouse acquiring ownership in a divorce, or a family member creditor, the LLC Operating Agreement can limit the use of the property to blood only family members. The Call feature can be used to buy the interest if/when the outside party doesn't pay their share of the annual operating costs.

If a family member is forced out or wants to be bought out, structure the terms in the LLC agreement to have a discount on the value of the property. Value can be from a designated appraiser (or type of appraiser), or from property tax statement. 25% discount was mentioned as fair, given it's never a good time to have to find money to buy a partner out. Give Branch or LLC ability to pay out the purchase over years with a low interest rate. This give the family the best opportunity to find capital to pay off the family member.

Liability waivers for guests might be considered.

CareFlite membership to cover guests at remote ranch properties (not expensive to have this).

Some families have explored setting up a Conservation Easement for their recreational property.

### **Couple of Additional Resources:**

Burgher Haggard and Excellence in Giving have provided below resources only as a reference to things we have found useful along the way but do not have any association with these resources.

A family in Midland, Texas created a website to help them manage their family homes and have the website available for others to use for their properties (for free at this time).

[www.familyvacationhome.com](http://www.familyvacationhome.com)

There's a great book about how to structure and create policies for a shared vacation home. I would highly recommend it to anyone that wants a recreational property to stay in a family across generations.

Link to Amazon site: <https://www.amazon.com/Saving-Family-Cottage-Succession-Planning/dp/141331841X>

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