

# The Family Cottage

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There are 5.2 million vacation homes in the United States. Many of those homes have two or more families involved in the ownership. If you're in that group, you might consider formalizing the ownership arrangement. You have a couple of different options, but most people choose a family limited liability company or a tenancy-in-common agreement.

Regardless of your approach, you should talk with all the owners ahead of time and work out the details. Here's a list of things you should discuss and agree upon before you meet with the attorney . . . or perhaps plan on discussing with the attorney.

1. What are the annual expenses?
2. Who will pay how much?
3. Should some owners pay more or less, based on greater usage?
4. How to determine usage? Especially: How will you spread out the Big 3 Summer Holidays (Memorial, 4th, Labor)?
5. Do you want to arrange rentals to third parties?
6. Can owners allow third parties (e.g., friends, in-laws) to use their days?
7. What happens when an owner dies? Is s/he bought out? Or can s/he pass the interest to heirs?
8. How can a person get rid of his or her interest? (Commonly-known as an "exit strategy"). This is often a source of great anxiety, often latent, so address it. Try to establish a reasonable purchase price through an appraisal that provides a range of values. In order to prevent a hardship on remaining owners, use the lower range of value, especially if it's a family cottage and the prior generation wanted it to remain in the family.
9. Procedure for agreeing upon capital improvements? Majority vote?
10. Allocation of responsibilities. Work days?
11. Forfeiture: Does a person forfeit usage if he doesn't show up for the work days or carry out his responsibilities? Does a person forfeit usage if he doesn't pay his share of the expenses?

12. If a person doesn't pay and others have to pay his/her share, should the "loan" accrue interest?

Needless to say, many families won't want to address all these items in a formal agreement, but they're worth discussing. Depending on what you decide, you will want to include at least a few of them in your agreement.