



TRUST

INVESTMENT PERSPECTIVES

January 2017

A Publication of TRUST COMPANY OF OKLAHOMA



Scott Cravens
Senior Vice President

OVERCOMING THE EMOTION OF FAMILY PROPERTIES

It was the fall of 2005. As I made my last pass through the family lake house, I was overcome with emotion. I thought about the day my grandfather took me out on the lake with red beginner skis tied together with rope to teach me how to get up out of the water. I recalled the time I caught five large catfish in less than two hours, which sparked an impromptu fish fry on our deck. I chuckled at the recollection of my uncle throwing firecrackers over the balcony while I attempted to flee across the rocky shoreline below. Almost every precious memory I hold from my childhood was made at that house, and now it was time to leave. It was the second most emotional moment for me in my family's journey with Alzheimer's.

In 2001, my grandfather was diagnosed with this terrible disease. In 2004, his deterioration began to accelerate and we began to discuss what to do in preparation for full-time care and end-of-life planning. We made the decision to sell the lake house. It was the right decision, but it wasn't the easy one.

Family legacy properties are extremely emotional assets. The feelings triggered by the thought of parting with the family farm, lake cabin or beach house can become the cause of tension among family members. There may not be a more challenging asset for our clients, and we see families hang on to these properties for all of the wrong reasons.

At Trust Company of Oklahoma, we try to help clients balance the emotion of the *property* against the practicality of the *asset*. Often times, generational-wealth transfer divides an estate, making retention of family properties difficult. In these situations, retaining real estate would mean altering the next generation's financial goals and well-being. Trying to hold on to it can be dangerous, particularly because this type of property often requires significant financial resources to properly maintain. The strain of upkeep can further escalate emotions as the property declines or time demands accelerate. Having lived through this experience, here is my best advice:

1) Analyze the property through the prism of the financial goals you had before the ownership of the property passed to you. It's easy to say, "This was

Continued on Page 2

“Overcoming The Emotion of Family Property” continued

granddad’s cabin, and I’m not going to sell it.” It’s much harder to say, “This lake house is worth \$200,000 and by selling it I can significantly improve the likelihood that my retirement goals can be met.” No one wants to put a price on their memories or family history. It feels cold. However by doing so, a mathematical reality may appear.

2) Ask yourself whether or not you would buy it today. Emotion clouds judgment. If you weren’t in the market for a second home before – you probably shouldn’t be now. Would you buy the beach house next door for \$500,000? If not, then why would you keep the family beach house when you could sell it for the same price? Force yourself to analyze the property independently, so you have something to keep your emotions in check.

3) Remember that your family member bought the property for his/her needs, not yours. Family farms are the ultimate culprit here. “Dad was a farmer. Dad quit farming, but he kept the farm.” If you are not a farmer, this is the time to monetize the asset. Your dad’s tax consequences were different; as well as his financial decisions and life goals. This ultimately affected his decision making, and it should also affect yours.

4) Take the root of your emotion and memories with you. One of my prized possessions is a 1977 CJ-5 Jeep that my grandfather bought brand new. It was parked in the garage at the lake house up until the day we sold the house. Today, it sits in my garage waiting for me to take it out on beautiful days. Every time I get in, I remember learning how to drive on the streets surrounding our lake house. In my office, I have a picture of my two daughters playing in it. This photo always makes me smile. My grandfather drove it; I drive it; and they’ll learn to drive in it. Whether it’s a Jeep, a jar full of sand, a picture of the farm, or other personal mementos – let those objects carry the memories forward.

It’s been over 11 years since we sold the lake house. If my grandfather were here today, I know he would tell me that we made the right choice. We did what was right for us, and I still have the “property” that really matters – all of my memories. Those will never be for sale. 📌