

Siblings buying, sharing property should sign a partnership agreement

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Q: My sister and I are thinking of buying a two-family home in which we both will live. Would we do a joint ownership and joint mortgage? Will we both be able to claim the mortgage interest when we file separately?

A: It's nice that you and your sister have a good enough relationship to want to purchase home together. A lot of siblings wouldn't want to live that close to each other, let alone take on this sort of joint financial responsibility.

If you take some basic steps to formalize your relationship with regard to this purchase, it will help keep the financial side of the relationship separate from the emotional side.

When two unrelated people purchase real estate, there are a number of decisions they have to make about the purchase. They have to decide how they're going to hold title, who is going to put in what cash, and who will pay what carrying costs, such as the mortgage, real estate taxes, insurance and maintenance and upkeep expenses.

If you and your sister own the property jointly, put down the same amount of money, and take out a mortgage with both of your names on it, you should each be able to write off your share of the mortgage insurance and property taxes. While you would share in the real estate deductions, however, you will each be responsible for the entire mortgage you

take out. So, if your sister stops paying her share of the mortgage, the lender would look to you to cover the entire amount due.

The lender should send each of you a tax form at the end of the year acknowledging how much you've paid during the year.

How you hold title has implications for your taxes. Will you own the property equally or will one of you own a slightly larger share of the property? The tax bill should be divided according to the ownership.

You can make sure this happens by drawing up and signing a partnership agreement, in which the ownership and financial responsibilities of each party is spelled out. That way, there will be no misunderstandings. You may also decide that one or the other would own more than 50 percent if one apartment is larger than the other. You may have other considerations when deciding your ownership

interests in the building.

You will want to talk to a real estate attorney to go through the property issues with you and also help you with some agreement that both of you would sign to incorporate other issues relating to your co-ownership of the building. Some questions to consider are what happens to the home if one of you dies, becomes incapacitated, has a loss of income, or wants to expand or renovate the home.

Finally, you and your sibling should discuss what happens if one of you decides to sell the property or rent it out. You may want to give the other the first right of refusal to purchase the other half of the property, or you may want to leave it to the other in your will. But talking about all of this ahead of time will ensure that you and your sister understand how the finances will work, as will your extended families.

Good luck!



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IMAGE

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NEW LISTING
Lots of surprises in this spacious home across the road from the airport. Room to build a hangar on the one acre view home. Child's BR has tree house hide-way. Large family room and formal entrance/library. Lots of decking and patio space. Attached double garage and parking for your RV. Needs a little TLC but this home and property has great potential. RMLS 16680073 \$339,000

NEW LISTING
3BR 2BA home beautiful setting on the Innaha River. Deer, elk, bear & game birds. This would make an excellent year round home or hunting, fishing base camp. Rustic wood storage shed. RMLS 16093188 \$169,000

NEW LISTING
Perfect location with views and easy access to amenities. Nice family home 3BR 2BA home with 2 levels of living. Lots of storage. Fireplace in living-room with large picture window. RMLS 16142752 \$184,500

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