NATIONAL ASSOCIATION OF REALTORS®

CONSUMER GUIDE: YOUR HOME AND ESTATE PLANNING

A home is a long-term financial asset. Estate planning helps you prepare for the future by deciding what happens to your home and other assets if you can no longer care for them. Here are the basics:

What is an estate plan, and how is it different from a will? A will is a legal document that dictates what will happen to your assets after your death. Estate planning is a broader process of legal arrangements to prepare for matters when you pass away or during your life, in the event that you can no longer make decisions for yourself. In addition to your will, your estate plan may include trusts, durable power of attorney (allowing someone else to make decisions on your behalf), and/or other documents based on your specific needs. An estate attorney or financial planner can help you build a plan that fits your needs and complies with state laws.

When should I begin estate planning? It is never too soon to start! Major personal and financial milestones like having children or purchasing a home are also good markers of when to start building or updating your plan. Having a set plan can help prevent issues and additional costs for your family.

How does owning a home affect my estate? Your home is likely one of the most valuable things you own. It is important to know how the property is titled and what will happen to it if you're no longer around. The way your name appears on the deed, whether there's a mortgage, and whether you co-own the home are important details to know when planning your estate.

What does it mean to put my home in a trust? A trust is a legal arrangement when one party holds onto assets on behalf of a beneficiary. Settling an estate involves a court process called probate, which can be lengthy and expensive. If your home is in a trust, it will be passed down without going through probate. An estate attorney or financial planner can help you evaluate the best approach for your circumstances.

Can I pass on my home without a will or trust? In some states, there are tools like a "transfer on death" deed that designates who should receive your home after your death and avoids the probate process. Make sure your title records are current—especially if you've refinanced, changed your name, or adjusted ownership—to help avoid confusion and prevent issues like title fraud.

What happens to my home if I don't have a plan? If you don't have a will, estate plan, or other legal instructions, state law decides who inherits your home. That process can be complicated and might not reflect what you would have wanted. It can also create long delays and stress for your family. In rare cases, a property may go to the state if no legal heirs can be found. Planning ahead gives you more control and provides your relatives clarity and protection.

How do mortgages or debts factor into estate planning? Mortgages or liens tied to your home don't go away when you die. Unless they decide to sell, your beneficiaries will need to continue payments or refinance the loan, depending on the lender's policies. If you're planning to leave your home to someone who may not be able to afford those payments, it's a good idea to talk through financing options now. You may also want to explore how things like property taxes might affect future affordability.

What are estate and inheritance taxes? Estate or inheritance taxes are taxes that are owed when assets are transferred. Estate taxes are levied against the value of your estate itself, while inheritance taxes are paid by your beneficiaries. Depending on the value of your estate and where you live, your estate may be subject to both federal and state estate taxes. Inheritance taxes only exist at the state level in a small number of states. Keep in mind that changes to federal and state tax laws over time can impact what is owed in taxes on inherited properties. Work with your estate planner or tax consultant to minimize financial burdens for your beneficiaries based on the laws where you live.

Practices may vary based on state and local law. Consult your real estate professional and/or an attorney for details about state law where you are purchasing a home. Please visit facts.realtor for more information and resources.