

2 Reasons Why Putting Your Child's Name on Your Home is a Bad Idea

Many parents believe that adding their child's name to the deed of their home is a simple way to pass it on after they pass away. However, this decision can create significant financial and legal problems for both you and your child. Here are two key reasons why this approach can be a bad idea.

1. Liability for the Child's Divorce, Lawsuit, or Medical Bills

Once your child's name is on the deed, the home legally becomes one of their assets. If they go through a divorce, creditors, lawsuits, or medical bills, their ownership stake in your home could be at risk. A court could order the sale of the home or place a lien on it to satisfy debts, leaving you in a difficult situation.

2. Capital Gains Taxes

If you add your child's name to your home now and they later sell the property, they may owe capital gains taxes on the increase in value since you originally purchased it. This can result in a hefty tax bill. However, if they inherit the home through an estate plan, they receive a step-up in basis, which can significantly reduce or eliminate capital gains taxes.

A Better Way to Plan for Your Home

Instead of adding your child's name to the deed, consider using a trust or other estate planning tools to protect your home and your family's financial future. These options can help you avoid unnecessary taxes, liability risks, and probate while ensuring your home is passed on as intended.

Contact Sitterud Law for a Consultation

If you want to explore better ways to pass your home to your children, we can help. Contact us today to schedule a consultation and discuss your estate planning options.