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TAX MATTERS

## Tips for sharing the family cottage

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A friend of mine recently told me that he was having problems with his short-term memory. And then he told me that he was having problems with his short-term memory. But when it comes to fond long-term memories, my friend always thinks about his time growing up at the cottage.

In many families, the cottage is a place where the sentimental value attached to the property is significant. The idea of giving ownership of the cottage to one child over the others is a non-starter for many. In the words of Barbara Benoiel, a professional mediator, who spoke about cottage succession on CBC radio a couple of years ago: “What we are really challenging is the family identity when we say this actual memory or this thing that we all share is going to now belong to one person. Would you give your family history to anyone? Of course not.”

Don't get me wrong. I'm not suggesting that having one child take ownership of the cottage is a terrible idea. But it's not the only – or best – solution for some families. Having said this, if your children are going to be co-owners of the family cottage, it's critical that a cottage agreement be prepared – with their involvement.

### **The agreement**

Even families who get along well will benefit from having clarity around how to share the cottage. A cottage agreement should seek to address a number of things, including use of the property, having guests visit, sharing and payment of expenses, maintaining the cottage, making improvements to the place, how to make decisions about selling or transferring the cottage, using the cottage as collateral for loans, how to settle disputes if they arise, and how to handle things when one co-owner defaults on their shares of expenses. See my article from May 21, 2020, where I talk about many of these things.

### **The issues**

Today, I want to focus on two key areas: Sharing use of the cottage and property maintenance. These ideas I'm going to look at are commonly built into a cottage agreement, although you can customize this for your own family, of course.

### **Sharing use of the cottage**

Given the short cottage season in Canada, and the fact that many cottages

are not winterized, weekends and holidays in the summer are times when everyone may want to be at the cottage. It's important that the cottage agreement details the approach to splitting up time at the retreat.

Consider the following ideas for sharing time at the cottage: (1) Allocate long weekends to each co-owner equally, (2) rotate who chooses first each year, (3) rotate the schedule so that no co-owner gets the same weekends each year, (4) post the schedule online and at the cottage so that everyone (including the kids of the co-owners) have access to it, (5) notify co-owners of any guests you'll be bringing with you, (6) allow three weeks' notice if you want to switch time with another co-owner, (7) agree on a set list of duties to be completed after each use (turning off the water or furnace, changing sheets, cleaning floors and counters et cetera), and (8) detail specific rules to be followed at the cottage (i.e. are pets allowed, can a co-owner's children be at the cottage alone, is smoking allowed, are there noise restrictions et cetera).

### **Maintaining the cottage**

Make sure your cottage agreement includes principles related to maintenance of the cottage. Here are some that I've seen work well for families: (1) set a budget for cottage maintenance each year, and include an amount for emergency repairs, (2) set a schedule for completing projects and

determine which are highest priority, (3) set a time for co-owners to complete large projects together (i.e. opening or closing the cottage for the season, repairing a deck, building a bunkie et cetera) and assign specific tasks to each person to avoid misunderstandings, (4) discuss with other co-owners before completing any maintenance; don't discuss it after you've done the work, and (5) create a schedule for recurring tasks (i.e. mowing the lawn, taking out garbage, replenishing consumables such as cleaning supplies and toiletries, cleaning the fridge et cetera).

As an aside, if you're planning to give co-ownership of the cottage to your kids, leaving them with a fund to help defray the costs of maintaining the cottage would be generous and helpful. Consider life insurance as a tool to create this type of fund. A \$500,000 policy, for example, could provide a fund large enough to generate \$15,000 to \$20,000 annually in income that could be used to help pay for cottage costs.

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