

Inheriting Real Estate Possible Solutions



When the distribution of an inheritance involves real estate, the heirs are often faced with many questions. If the inheritance includes for example the family home, it frequently raises the issue of whether one of the heirs should give up their current residence and move into the property. If that is not an option, other possibilities include selling or renting out the property need to be considered.

This information sheet briefly explores the three most common options with regard to inheriting property, and their implications. Additionally it offers some valuable tips.

1. Taking Over an Inherited Property

If one heir decides to take possession of the property from the estate and become the sole owner (either to live in it or to rent it out), any other heirs must be paid their fair share of the value. If the inheritance includes other assets, these can be offset against the value of the property when dividing the inheritance. However, if the inheritance consists primarily of this property, the person assuming ownership may have to consider increasing the mortgage in order to raise the funds needed to buy out the other heirs.

As a rule, the net proceeds from a potential sale of the property (market value minus real estate capital gains tax and, if applicable, real estate transfer tax) are estimated so that this figure can be counted toward the distribution of the inheritance.

2. Selling an Inherited Property

If the heirs all agree to sell the property, the distribution of the estate becomes much easier. The net proceeds of the sale of the property are added to the estate, which is subsequently divided up and distributed among the heirs. However, selling

the property has tax implications. In some circumstances, advance withdrawals by the testator from his or her employee benefits insurance may have to be repaid (see the "Selling Property" information sheet).

3. Renting Out an Inherited Property

If the heirs decide not to sell the property, they have the option to rent it out. However, managing and renting out the property will lead to additional costs. Moreover, any course of action that goes beyond simple management could mean that the heirs lose their tax privileges from succession/distribution of the inheritance.

Both the personal needs and financial means of the heirs play an important role in deciding what to do with an inherited property.

Advancements

Any advancements made by the deceased while still alive must be offset. In the case of cash sums, this is easy. It becomes more difficult, however, if one of the heirs received a property in advance. In this case, the key factor is the value of the property on the date of death. Any rise or fall in the value of the property between the time the advancement was made and the date of death must be compensated in the absence of any arrangements to the contrary, either in an agreement drawn up at the time or in the will.

Taxes and Fees

Succession and advancements are both subject to inheritance and gift taxes, although nearly every canton exempts direct descendants from these taxes. In the case of succession and the distribution of an inheritance, real estate capital gains taxes

are deferred. Furthermore, the original date of acquisition by the testator remains valid and passes to the heir(s). The real estate capital gains taxes are not due until the property is sold. Depending on the canton/municipality, a real estate transfer tax may be payable upon sale of the property. If a property does not belong to the testator's personal assets but forms part of his or her business assets, additional tax implications and social insurance contributions must be taken into account.

Sound Advice

It takes sound advice to find a lasting solution that meets your needs. That's why we take a holistic approach tailored to your particular circumstances. This allows us to sit down with you to explore the available financing options and alternatives, and to assist you with a valuation or sale.

In-depth expertise, state-of-the-art advisory and computing tools, and the close support of our Financing Experts are as much a part of our service as dealing with your concerns promptly and efficiently.

When you meet with our Financing Experts for a personal consultation, you can be assured of need-based excellent advice.

Take Our Advice

Inheriting property raises a lot of questions. Get in touch with your Credit Suisse advisor at the earliest opportunity, and take advantage of our expertise, experience, and network. He or she will help you find the best possible financial solutions.

Contact us

We are here to help you on your financing needs.

Call us at 0844 100 114*;

Monday–Friday, 8:00–20:00.

For more information visit our website at:

credit-suisse.com/mortgages

* Phone calls may be recorded.

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