

Whether you are looking to own a vacation home for a couple of years or to keep it in the family for generations, the planning you do now can help you avoid challenges down the road. In this four-part series, we'll discuss ownership structures, long-term estate planning, tax benefits, and tips to avoid disputes.

Part 4 – Avoiding and Resolving Disputes

Throughout this series, we have focused on how families can design systems to prevent disputes before they arise.

Property Ownership Structure

In [Part 1](#), we explored various structures through which a family can own a vacation home. There's no one-size-fits-all approach. Each ownership structure has distinct advantages and challenges that affect liability, tax treatment, management flexibility, and how the property passes to heirs. Continue reading Part 1 for an in depth review of the pros and cons of the following ownership structures:

- Sole Ownership: one individual holds title to and has complete control over the property. While the simplest form, it has additional financial and liability risks.
- Joint Ownership: multiple individuals co-own the property, either as joint tenants or tenants in common. One of the biggest draw backs to joint ownership is the potential for disagreements and disputes over using and managing the property.
- Trusts: allow for controlled management and clear succession planning. A trust, which can be revocable or irrevocable, offers many benefits for keeping vacation homes in the family for future generations.
- Limited Liability Company: the company, not the individual(s), hold title to the property. This structure is frequently used for vacation rental properties and when owning property with others. An LLC is governed by an operating agreement among the LLC's members outlining the internal operations and management structure of the company and defining the rights, responsibilities, and liabilities of its members.

Selecting the appropriate ownership structure—whether the goal is short-term enjoyment, a long-term family legacy, or investment potential—is a critical first step in minimizing the risk of conflict down the road.

Estate Planning Strategies

Personal conflicts—not capital gains—are frequently the catalyst for forced sales, litigation, and long-term family estrangement. In [Part 2](#) we discussed how a thoughtful estate plan can preserve family harmony and protect the property for future generations. Beyond establishing a succession plan that determines who will inherit the property, it is equally important to develop a governance structure that clarifies how decisions will be made. Doing so can significantly reduce the risk of disputes and unexpected financial burdens.

Continue reading Part 2 for additional examples of estate planning techniques, including:

- Creating a buyout option
- Establishing a maintenance fund
- Drafting a family usage agreement

Addressing family dynamics and unique circumstances now can help prevent future disagreements arising from differing financial capabilities or emotional attachments to the property.

Estate and Income Tax Planning

Effective tax planning is not just about minimizing taxes; it also plays a critical role in reducing stress and preventing conflict among heirs by addressing issues that commonly give rise to disputes. In [Part 3](#) we examined the tax considerations involved in determining how and when to transfer a vacation home to the next generation. By thoughtfully evaluating the timing of transfers, leveraging available tax exemptions and valuation techniques, and aligning tax strategies with broader ownership and succession goals, families can preserve the home's legacy while minimizing disputes driven by unexpected tax liabilities or uncertainty.

Resolving Disputes

Even with the most careful planning, conflicts may still arise. If they do, early intervention and dispute-resolution mechanisms can help resolve disputes discreetly and efficiently.

Proactive Mitigation Strategies

Recognizing that shared ownership of a high-value, emotionally significant asset carries inherent complexity, families that embed a governance framework can help reduce the chances that disagreements escalate into costly, relationship-damaging disputes.

Regularly scheduled property governance meetings can provide a formal venue for discussing finances and other issues. Documenting key decisions, sharing financials and discussing proposed rule changes can provide transparency. Engaging a neutral advisor to facilitate these sessions can further ensure that concerns that surface can be addressed in a controlled, non-adversarial setting.

When Prevention Fails

Despite best efforts, some conflicts may escalate. Having resolution mechanisms in place may help avoid costly and public litigation. Consider embedding a tiered approach into governing documents.

- Internal Negotiations – define a set process for parties to attempt to resolve conflicts. Designate a trusted friend or advisor to facilitate conflict resolution.
- Confidential Mediation – engage a neutral mediator experienced in complex family and wealth dynamics.
- Private Arbitration – if mediation fails, arbitration provides a binding resolution in a confidential forum.
- Litigating in Court – is a last resort.

Conclusion

Legal structures, tax planning, and succession strategies protect the economic value of a family vacation home. Governance and dispute-resolution mechanisms protect its human value. Regularly reviewing your estate plan as circumstances evolve—family

dynamics shift, tax laws change, finances fluctuate—can help ensure your family vacation home remains a source of joy rather than contention.

Estate Planning for Vacation Home Series

Part 1 here: [Property Ownership Structure](#)

Part 2 here: [Estate Planning Strategies](#)

Part 3 here: [Estate and Income Tax Planning](#)

Part 4 here: [Avoiding and Resolving Disputes](#)

Contact Us

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