

## **Cottages**

As the "boomer" generation ages, cottages are springing up all over the countryside and they don't look like anything that mother and father used to rent when we were kids. Today's cottages are fitted with city quality conveniences for all season occupation. The cottage is now a significant asset in the portfolio of many families.

Passing the cottage to the next generation is not as simple as it seems. You need to consider the Income Tax Act because your family can only have one principal residence at a time and, hence, only one asset which can be passed with a tax-free capital gains exemption. If you own more than one home (and this includes a cottage), you need to look at which residence will be designated as your principal residence in order to determine how to maximize your tax status. In order to do this, you would likely have to speak to your accountant to find the approach which is best for you.

Another issue relates to the disposition of the cottage into the hands of the next generation. You can, of course, sell the cottage and divide the proceeds in your Will but your children may have a sentimental attachment to the family cottage. If you leave the cottage to all of the children jointly then you have to ask yourself the question "Who will pay the taxes, insurance and utilities, and who will do the maintenance at the cottage?" And how will everybody take turns using the cottage? Leaving the cottage to all your children may create more problems than it solves, although you may feel good doing it.

The best advice is to meet with all of your children and discuss the problem and determine the needs and wishes of each child. You may be surprised to learn that only one of your children really has any interest in the cottage and then your problem is solved. If not, there are many legal ways such as trusts to provide for the future, shared use of your cottage by your children and even grandchildren after you are gone to that great fishing hole in the sky.

John E. Johnson  
613-231-8253  
[john.johnson@nelligan.ca](mailto:john.johnson@nelligan.ca)



**NelliganO'BrienPayne**

Lawyers/Patent and Trade-Mark Agents  
Avocats/Agents de brevets et de marques de commerce