

# *YOUR INHERITED PROPERTY GUIDE*

*You decided it's time to sell the inherited property, now what?*

*Preparing the property is one of the toughest, but most important activities that precedes the sale. Somehow, the property's aesthetic value determines the success of the sale. Here are some pointers to help you up your property's value and make it more attractive to sell.*

## *Should You Sell the property "As Is"*

*There is more to consider when selling an inherited property. Heirs with or without interest in the property can sell it as long as legal processes have been accomplished. One of the questions that most people who inherited a property ask is whether they should sell the property 'as is' or invest in repairs or remodeling before putting it up on the market.*

*Selling the property 'as is' simply means putting the property up for sale without any changes or remodeling done to the structure. Heirs will only need to clean out the property of all the deceased's personal belongings. This works best if the property has very little maintenance, and has been kept up throughout the years. This is because spending money on renovations of properties in bad condition may only lead to more loss than gain.*

*Properties in good shape, however, may still be worth remodeling. In this case the house is could still be in good condition, and may only need minor repairs to make it presentable. It is certainly worth getting the property cleaned and updated to get maximum value out of the sale, again you can write off any money that is invested in the property, which can be added to the stepped-up tax basis.*

## *Should You Fix Up The Property Before Selling*

*Inherited properties are usually not flawless depending on how well the previous owner took care of it. Sometimes, you will find the inherited home in bad condition. During a detailed home inspection, many other issues may arise, which can lead to the spending of thousands of dollars on repairs.*

*Before assessing all the needed repairs, you might want to do some general cleaning first or hire professional cleaners who can do this efficiently. This level of detail will help uncover even the slightest of issues. To bring out the best in the home you will need to see all the issues that need attention.*

*These new found issues could be as little as a bad lock on the door or as big as the need for a new roof. Keep in mind that buyers are meticulous when it comes to kitchens, bathrooms, bedrooms and basements. If these areas need an update, you will need to do so. Getting a good home inspector to come in and identify major problems on the house's structure will help you know which parts of the house will require professional contractor repair.*

*Once all the new repairs have been completed you will probably need a fresh coat of paint to give the house a fresh feel. Homes with curb appeal and nice landscape also helps homes sell. Get professional landscapers to update the yard and clean up the garden. You do not want to turn the buyers as they pull up to the home..*

### *Previous owner's personal effects*

*Before the sale, clearing out the area of all the previous owner's personal effects is an emotional task that must be done meticulously. If the deceased is a close family member this emotional task becomes very painful. But clearing out the home is important because it enhances the property's marketability.*

*There are several ways that you can handle this draining task. If you have the time and want to try and maximize the value of the personal belongings, then you should host a garage sale, estate sale, or auction. Or you can hire professional services that can't handle the sale of the estates belongings for you. Or if you don't want to deal with the belongings at all you can simply donate them to charities, institutions of your preference, or thrift stores.*

*If you have the time and energy holding the garage or estate sale seems the most fitting. Sort out items of good value such as jewelry pieces, antiques, collectibles, furniture, and appliances. Online stores such as Craigslist.com and eBay.com are also an ideal supplement to an estate sale where the items would sell fast often at decent prices.*

*If you don't have time, energy or are not local to the home, the estate sale is the best way to go, especially if you think that the items hold higher values. Find an estate sale company to assess and market the items to help decide which items should be sold where. The estate sale company will also take care of selling the belongings for a commission between 15%-30%.*

*The estate sale though, compared to an auction is the slower process. Auction normally lasts only a few hours and generally all items will sell.*

*If none of these options appeal to you, donating the items to charities or thrift stores is a great option that also comes with a tax write off. Handing the valuables to charities or thrift stores will relieve you of all the responsibilities and stress of dealing with all these items.*

### *Keeping up with property during selling process*

*While waiting for the inherited property to be sold, the maintenance never stops. Just because the inherited home is for sale, that doesn't mean you can relinquish your responsibilities as the temporary owner.*

#### *Insurance*

*Insurance is one of the major aspects of the property that you must not take for granted. Most home insurance policies allows only 30 days of vacancy before it becomes invalid, you might want to purchase a plan that covers unoccupied properties, while waiting for it to be sold.*

#### *Utilities*

*The more the property is vacant, the more you need to look after it, especially when utilities are involved. Since there is nobody present to take care of potential issues like emergency plumbing or storm damage, someone will need to check on the home periodically. Taking these for granted and not catching issues like this could lead to some extreme costs and delays. If you think that the season would affect the technical aspects of your property while unoccupied, be sure to check all things necessary: are the plumbing and furnace properly turned off? Is the home winterized? There is a lot to consider when leaving a home unoccupied and not regularly checked on.*

#### *Lawn Maintenance*

*Lawn maintenance is also important. While waiting for a sure buyer, never let the yard go un-mowed regularly, especially during the spring or summer season. In some communities, improperly maintained yards warrants a fine from the homeowners association, so keep that in mind also.*

#### *Security*

*An empty home is certainly prone to vandalism, no matter how secure the fences around it or how tightly locked the gates. Young kids looking for a place to party, or the homeless looking for a place to crash for the night, an empty house very*

*attractive. Thieves may also break in to steal anything that they can sell; even copper pipes and copper wire.*

*Having someone frequenting stop by the home may save you thousands in damages and theft.*

### *Choosing a real estate professional*

*The success of selling an inherited home lies in the Real Estate brokers experience in these matters. The first thing to check is the brokers set of credentials, license, and tenure. Testimonials are also a big thing. As much as possible, choose one with good reputation and good character as well. A Real Estate broker with good reputation ensures that you will get a good, if not the best value out of your home. His/her character will ensure that your property is in good hands. The keywords here are trust and reliability.*

*This applies most especially to those whose inherited properties are located across the country. It is necessary to find a Real Estate broker who handles conflicts arising from proximity issues and state taxation laws. So, make sure you find an experienced broker in the home's local area, with inherited home expertise!*

### *Pricing and Negotiation*

*Pricing a home is difficult to determine. There are several references to monitor when figuring out the final asking price. An experienced Real Estate broker has all the tools to help you price the inherited home. Even if you don't price the home exactly right a skillful negotiator has the power to turn things in your favor. But, being realistic and reasonable will ensure more gains than losses.*

### *Set a competitive asking price*

*Negotiations always determine the final price of the property, but some set the bar according to the price of similar properties sold. In order to move the home quickly, go for a realistic figure –not too high to the point of turning off prospective buyers. One primary factor that affects the price is the current real estate market condition from both buyer's and seller's perspective. Normally, the price will entice offers if the price is close to the market value of homes in the same community. But, the key to achieving a good price for the property lies in the Real Estate brokers negotiation power.*

## *Avoid making concessions*

*Eager buyers will suggest options such as seller assistance, escrow funds for improvements or repairs, and several more just to get away with lower closing cost. The final price will depend on how a seller and buyer negotiates. Remind yourself to not settle for less and stick with how much you and your real estate broker thinks the inherited home is worth.*

*Be prepared for the buyers' various negotiation tactics by educating yourself on all potential buyers responses and requests. Identify the things you "are" and "are not" willing to compromise on. Learn some counter-offers or walk away from offers that go against your needs and expectations. Being equipped with knowledge allows you to carefully think before jumping into an offer.*

## *Sale Process*

*Selling an inherited home is neither easy nor hard, as long as you know the process. While you can leave everything to a Real Estate broker, it is beneficial to have an overview of the whole process to guide yourself. Knowing these steps will help you protect your property.*

### *Step #1*

*The local market affects the property's sale so, know the trend. It comes with determining whether the market is hot or cold. Hot means less sellers and more buyers who compete against each other by driving up the prices; A cold market is the opposite and buyers tend to be picky and always negotiating for lower price.*

### *Step #2*

*Compare prices with other properties for sale based on such features as location, number of bedrooms and bathroom, kitchen, basement, size, among others. These houses are called "comparables" or "comps" which you can check by attending open houses, checking classifieds, or visiting real estate websites with listings.*

### *Step #3*

*Hire professionals such as a reliable Real Estate broker and a lawyer, to help with the sale. You can have one or both depending on how much you can or willing to afford. Real Estate brokers earn by commission (6% of the sale) while lawyers earn by the hour (about \$300-400 per hour). It may sound like a huge expense but finding a good broker and Lawyer will speed up the sale process and therefore, save you time and money.*



## *Step #4*

*Preparing the house for the sale. Remember that buyers will get a better impression of the house and will be more likely to make the purchase if the house looks at its best. There is also a good chance they would add a little more extra on the price if the house looks attractive and well maintained. Have people take a look around after improvements and get feedback to ensure you did not miss anything.*

*Heirs who are in a different location and wish to sell their property should consult a Real Estate broker that specializes in this kind of transaction.*

## *Property inspection*

*This one, you should not forget. Before putting your property on the market, do not forget to have it inspected. Hire a professional home inspector who would examine the entire property for problems, especially hidden ones, like plumbing issues, insulation, foundation walls, and other setback that may cause trouble for your buyers in the future.*

## *Hiring the right real estate professional*

*At some point, some things go down to the real estate brokers method of sale, which is why you should hire a credible one and learn the details of selling an inherited property. Some real estate brokers may hold open houses (general or broker's open house) for initial interest; some hit the six-week wall in which no buyers show interest within six weeks after listing the property.*

## *Tax Implications of Selling an Inherited Home*

*One of the first things you'll need to evaluate when considering selling an inherited home is how the sale will impact you financially. In other words, you may be subject to taxes on any proceeds from the sale or from the inheritance of the property itself. While laws may differ from state to state, the following resources will help you understand the tax implications of selling an inherited property.*

*Inherited properties do not qualify for the home sale tax exclusion. Typically, when you sell a property you've lived in for at least two of the previous five years, you can take advantage of a tax exclusion. That means up to \$250,000 of proceeds for a single homeowner is tax-free, and married couples can avoid paying taxes on up to \$500,000 in proceeds. Unless you plan to live in the home you've inherited for at least two years, you won't be eligible for this exclusion.*

*You do get to take advantage of the stepped-up tax basis. Inherited properties aren't eligible for the home sale tax exclusion, but you do get to take advantage of a stepped-up tax basis. Ordinarily, proceeds are calculated using the purchase price plus any improvements made to the property during ownership. In the case of an inherited property, the tax basis is the fair market value of the property at the time of the previous owner's death. This prevents adult children from owing substantial taxes on properties that have appreciated dramatically over the past several decades. Know where and how to report sale proceeds. The IRS requires those who sell an inherited property to report proceeds as taxable income. The specific amount that will be taxable is based upon the fair market value and other improvements used to calculate the basis. This publication from the IRS describes where to find instructions and which forms to use.*

*Even if you don't have to pay taxes on the sale, it is still a reportable event. According to this article, it's a good idea to report the sale of an inherited home even if no taxes will be owed. There's a difference between inheritance tax and estate tax, and even some differences among individual states. Tax law is by no means simple, so it's best to seek the advice of an accountant or attorney to figure out the many nuances related to the financial obligations that come with inheriting real estate.*

## *How Probate works in Illinois*

*Probate is the official way that an estate gets settled under the supervision of the court. A person, usually a surviving spouse or an adult child, is appointed by the court if there is no Will, or nominated by the deceased person's Will. Once appointed, this person, called an executor or Personal Representative, has the legal authority to gather and value the assets owned by the estate, to pay bills and taxes, and, ultimately, to distribute the assets to the heirs or beneficiaries.*

*The purpose of probate is to prevent fraud after someone's death. Imagine everyone stealing the castle after the Lord dies. It's a way to freeze the estate until a judge determines that the Will is valid, that all the relevant people have been notified, that all the property in the estate has been identified and appraised, that the creditors have been paid and that all the taxes have been paid. Once all of that's been done, the court issues an Order distributing the property and the estate is closed.*

*Not all estates must go through probate though. First, if an estate falls below a certain threshold, it is considered a "small estate" and doesn't require court supervision to be settled.*

*Second, not all assets are subject to probate. Some kinds of assets transfer automatically at the death of an owner with no probate required. The most common kinds of assets that pass without probate are:*

*Joint Tenancy assets-when one joint tenant dies, the surviving joint tenant becomes the owner of the entire asset, without the need for a court order. This is called "right of survivorship." For example, if a house is owned this way, "Jane Sage and John Sage, as joint tenants," and Jane dies, John owns the entire house.*

*Tenancy by the Entirety or Community Property With Right of Survivorship-these are forms of property ownership that function like joint tenancy, in that the survivor owns the entire property at the death of the other tenant, but are only available to married couples.*

*Beneficiary Designations-retirement accounts and life insurance policies have named beneficiaries. Upon the death of the account or policy owner, these beneficiaries are entitled to the assets in the account or the proceeds of the policy.*

*Payable on Death Accounts/Transfer on Death Accounts-bank and brokerage accounts can have designated beneficiaries, too. The account owner can fill out forms to designate who should receive the account assets after their death.*

*Third, if a decedent had created a Living Trust to hold his or her's largest assets, than that estate, too, won't go through probate, unless the assets left outside of the trust add up to more than Illinois's small estate limit. That, in fact, is why that Living Trust was created, to avoid probate after the death of the trust's Grantor.*

*But for estates in Illinois that exceed the small estate's threshold, and for which there is either no Will, or a Will (but not a Living Trust), probate will be required before an estate can be transferred to the decedent's heirs or beneficiaries.*

*The general procedure required to settle an estate via probate in Illinois is the following:*

*The Will must be filed in the county where the decedent lived.*

*The Will must be filed within a reasonable amount of time.*

*A Petition for Probate must be filed as well. This requests the appointment of an executor. If there is no Will, the Court will appoint someone to serve as the Personal Representative of the estate. Notice must be given to all heirs and beneficiaries, as required by the court.*



*Once the Petition for Probate is filed, a notice must be published in a newspaper where the decedent lived. This is to notify potential creditors of the proceeding. Creditors have six months to make a claim.*

*The Court will issue "Letters Testamentary" to the executor/Personal Representative -- this gives the executor legal authority to act on behalf of the estate.*

*An inventory of the estate's assets must be filed with the court*

*Once all of the creditors and taxes have been paid, a Petition to close the probate must be filed with the court.*

*The Court will issue an Order, distributing the estate's property to the beneficiaries.*

*The executor is entitled to reasonable fees for their services, but since such fees are subject to income tax (which inheritances aren't, unless Illinois has an inheritance tax), many executors forgo the fees. As of 2015, estates worth more than \$4 million are subject to Illinois estate tax. This exemption amount is not indexed to inflation, unlike the federal estate tax exemption of \$5,450,000, which is indexed. The top tax rate is sixteen percent (16%). Illinois, unlike the federal government, does not permit "portability," which allows the surviving spouse to use their deceased spouse's unused exemption amount at their death.*

*Surviving spouses or civil union partners are exempt from this tax.*

*Courtesy of*

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*Information is deemed reliable, but not guaranteed.*

*Sources:*

*Web. Jan 12, 2017 <https://www.redfin.com/blog/the-stress-free-guide-to-selling-an-inherited-home>*

*Web. Jan 9, 2017 <http://integrated-realty.net/complete-guide-sell-inherited-house/>*

*Web. Jan 16, 2017 <https://www.legalconsumer.com/inheritancelaw/topic.php?TopicID=4&ST=IL>*

*Service Partners:*

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*Family Law*

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*Full list of service providers upon request*