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HEIRS: Regardless of the number of heirs, it is rare for everyone to agree

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own a percentage. It can be difficult to track absentee owners.

• Have common interest conflicts.

How to manage the forest?

Next, let's look at this same scenario from a forest management standpoint and how it can create issues. The first concern to pop up is that there is no one real ownership, no clear title. Just as all original heir parties own a third, all decisions are based on a third as well. The more heirs, the smaller the share gets per heir. All heir owners must agree on land use and management decisions.

One of the biggest issues in this situation is everyone reaching agreement on forest management objectives. Regardless of the number of heirs, it is rare for everyone to have the same opinion and agree to the same objectives. Not everyone likes to cut timber. Landowners can have very different opinions on management objectives and some people just simply do not agree with decisions made by other family members.

Have you ever had a family member that thought you were always out to get them, no matter how honest you were being? Not having outright, defined ownerships makes solving these issues difficult and it can get quite ugly between family members.

Cost-share assistance complicated

Another major issue is heir owners seeking cost-share assistance. When applying for cost share, it's not easy to get government assistance because, again, there isn't clear ownership of the property.

For example, if a property is passed down to five children, then all five must be present to sign the required documentation to apply for cost share. Plus, all heirs must agree upon which management cost share to apply. If it is decided to elect one party to handle the administrative signup, then that party will be responsible for paying the up-front costs, receiving full reimbursement, receiving the IRS 1099 and paying the taxes on the money reimbursed. Then it will be on that one party to seek all necessary reimbursement from the other heirs. This can get tricky and cause an administrative slowdown on progress versus having a clearly defined ownership.

So, you think, what can you do if you are one of these heir property owners? Some ways to maintain an heir setting is to:

- Confirm all heir owners.
- Ensure clear title with no disputes.
- Create an heir family tree.

• Clear up unwanted ownership from heirs who don't have any interest.

Better structure ownership

Here are some ways you can better structure the property ownership:

• 1. Land trust. Basically, a trust is developed when deeded owners donate their heir interest to the trust. At this point, one person serves as a trustee and all others are beneficiaries of the trust. The trust holds the title to the property; the property is now no longer divided because it belongs to the trust. A trust is often used to create privacy for the landowners. Records will only show ownership in the trust name, not the landowners. A disadvantage to trusts is that the beneficiaries hold all liability to the property.

• 2. Limited liability company (LLC). An LLC is an ownership of partnership structure that has members rather than actual partners or shareholders. It must have a set of terms agreed upon about how the LLC conducts business. This is where you set all the rules for future direction. A major advantage is liability protection to the owners and it is listed as its own entity. One disadvantage is that it cannot live forever like a trust but rather dies with the members. New members must be set to receive an LLC can co-exist to provide privacy and protection to its members.

• 3. Tenancy-in-common agreements. These agreements will set ownership rights of all owners as well as set specific parts of the property owners can use. They also set right of first refusal. These agreements can help settle muddy water upon initial ownership.

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Saluting The Area Timber & Forestry Industry.



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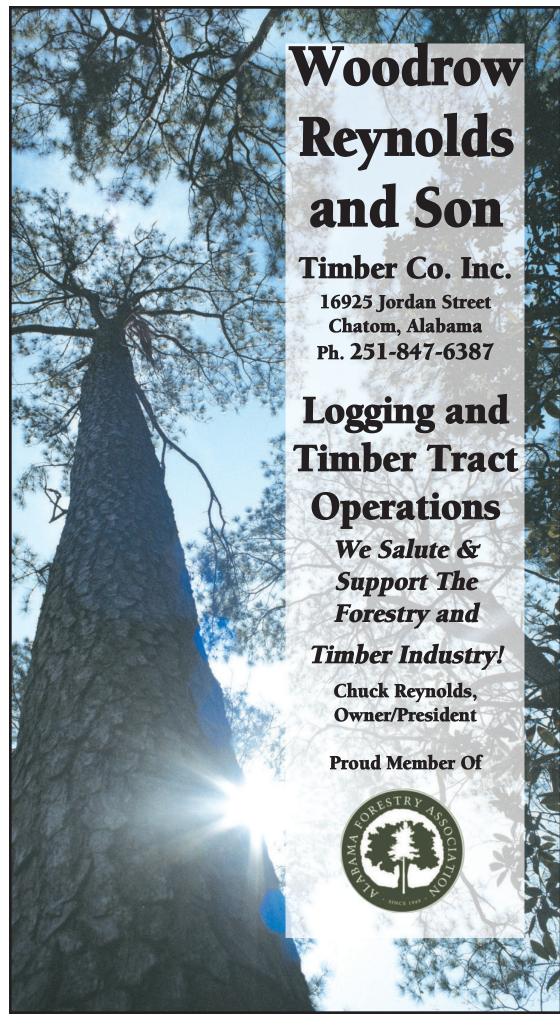
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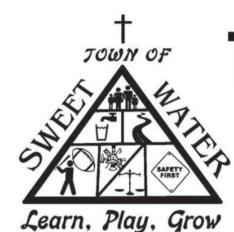
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