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Dave Windsor's 'Alaska Real Estate'

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Family Gift Can Help You Buy

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One of the convenient rules of real estate loans is that under many programs you may accept a family (or even significant other) gift to help with your down payment and/or closing costs.

This also includes 'equity' in the home you are buying. Let's say Mom and Dad are selling their home to daughter Sally. The market value, confirmed by appraisal, is \$300,000. Sally would like to put 20 percent down so as to avoid mortgage insurance.

Mom & Dad can gift \$60,000 of their fair market value and now Sally, in effect, only pays \$240,000 for the house. If allowable under the loan program, they may also help out with a further cash contribution towards closing costs.

You should talk to your Lender about more specifics but an 'Equity Gift' is permissible.

The other person you should talk to is your Tax Consultant. My understanding is that Mom and Dad can gift up to \$5 million dollars in their lifetime to family members in cash or kind without tax liability (effective from January 2022).

In fact, gifts up to \$15,000 in a given year are not even reportable and do not encroach on the \$5 million. So, if Mom and Dad did gift \$60,000 equity to Sally it should be reported. The excess over \$15,000 not taxable (i.e. \$45,000) would be accrued against the lifetime allowable limit of \$5 million.

Dave

Windsor

A stylized, handwritten flourish or signature element consisting of a single, sweeping, curved line that starts under the 'W' and ends under the 'r'.

