

Good Happenings

News & Insights from the Ron Sitrin Team

Visiting My Childhood Home

As it turns out, you *can* go home again.



BY RON SITRIN

We had four hours to spare before it was time to head to the Miami airport. What should we do? My brother, Mike, suggested we visit our childhood home. What a great idea, everyone was on board.

Growing up, our home was so special. Even as an adult living in Bethesda I never wanted my parents to sell it. I didn't want to lose that physical connection to a part of my childhood.

When we pulled up, the first thing I noticed was how tall the trees had grown over the last 20 years. As the four of us stood there, the memories came flooding back.

Playing tag in the back yard with my neighborhood friends. Swinging from the tree branches like Tarzan. Shooting hoops in our driveway where I spent hours dreaming of my NBA career.

More importantly, all the meals at the dinner table. Dad got home every day at 6:15 and by 6:30 it was dinner time. **There were no cell phones back then. The**

entire family was “present” and we had wonderful conversations.

These memories were important moments that became the foundation of my positive outlook on life. **Houses are made from brick and mortar but homes are made through shared experiences with loved ones.** Growing up in a happy home has taught me that helping others find theirs is the most important thing I can do.

As we were about to leave, I stared at the far right corner of the house. That is where my bedroom was. I wondered, who lives in my room now?

Then a funny thought came over me. Here I am standing in front of my childhood home on my 60th birthday. What if I could go back in time and tell my 16 year old self just one thing, what would it be? “Sorry kid, you’re not going to the NBA, but keep your positive outlook and Good Things will Happen”.

A Most Amazing Good “Deed”

BY RON SITRIN

Lorena grew up in El Salvador as the oldest of 15 children. She had the responsibility to be the first one up every morning to feed her family and the ranch hands.

Eventually she made her way to the United States and earned a living cleaning houses. Along the way, she met Lisa and Tim Daniel and started working for them.

After having her second child, Lisa injured her back to the point that she had frequent bouts of debilitating pain and sometimes immobility over a period of several years. At the time, Lisa and Tim were working and raising two young children and, in addition, Tim occasionally needed to travel for work. They worried, “how would they keep the household functioning while Lisa was sidelined?”

Without hesitation, Lorena came to the rescue. This often meant coming over in the evening after working all day cleaning someone else’s house, to cook dinner, help get the kids to bed, often spending the night so as to help get the kids ready for daycare and/or school the next day.

Literally for years, whenever the situation would arise, Lorena would come and stay to help. Eventually, Lisa got back on her feet. Lisa and Tim wondered how they could ever repay Lorena?

Over time they learned that Lorena was living in one room of a relative’s house. It was not the best situation as Lorena felt like a guest and had limited access to the kitchen and other living areas.

Lorena really wanted to rent her own home and have a place for her children and grandchildren once their visas came through. Tim and Lisa tried helping her but quickly found that renting a safe place can be very challenging for a widow with no credit history and limited cash reserves as Lorena was sending a large portion of her earnings to her El Salvador family every month.

It didn’t take long for Tim and Lisa to realize that the best option was for them to buy a place and rent it to her. Eventually they found a nice 2 bedroom 2 bath condo in Silver Spring. Lorena moved in, at first with her daughter-in-law and infant grandson, and later her Salvadoran family was able to join her as she had always hoped. For 21 years it provided a stable home for her and her extended family.

This year Tim and Lisa decided to leave Rockville and move closer to their kids. As they were preparing for the move, they began thinking, “what should we do with Lorena’s condo?” They had a small remaining balance on their mortgage and a ton of equity.

It’s not often that I shed a tear at settlement, but at this one, we all did. Lorena and her son paid off the remaining mortgage and Tim & Lisa chose to forgo a profit and deed the property over to them. It was a remarkable event!

Lorena is now part of the American home ownership dream.

After the settlement, I asked Lisa “Lorena must feel so appreciative for what you did for her?” Without missing a beat, Lisa replied back, “No, it’s Tim and I that are so appreciative for all that she did for us”.



From left to right: Tim and Lisa Daniel, Lorena, her son and Ron

Running the numbers on the Gift Tax

People are always asking, “**with prices so high, how do people come up with the money to buy a house?**”

Did you know that 30% of all first time homebuyers get assistance from their parents and 40% of all buyers get some parental assistance?

These numbers come from the National Association of Realtors and based on what we are seeing they seem pretty accurate.

One question we get all the time is “**what are the tax consequences if I give money to help my kids buy a house?**”

The IRS considers money you give to an adult child or a friend a gift. These gifts need to be reported to the IRS. However, for most Americans, there will be no gift tax due.

If you are thinking of helping out your adult children or a friend, here is an example of how the gift tax works.

FUN FACT: It doesn't seem to matter how old the kids are. Many people assume only kids in their 20's need the extra help. You would be surprised how often parents are giving financial help to their 40, 50, and even 60 year old kids!

Mom can gift her son \$17,000 per year and pay no gift tax. Dad can also gift that same son another \$17,000 per year with no gift tax. Their son has now received a total of \$34,000 in gift money.

If their son is co purchasing the house with his spouse, mom



From left to right: Ron, his parents, and his brother Mike in front of their childhood home.

and dad can both give their son's spouse an additional \$17,000 each. Now the son and his spouse have received a total of \$68,000 and there is no gift tax to mom and dad.

If mom and dad have several children and grandchildren, they can both make this \$17,000 gift to all of the kids and grandkids every year with no tax consequences as well.

There is a catch though. Each person has a \$12,920,000 lifetime gift tax exemption. Once this amount is exceeded the gift tax kicks in.

So what happens if mom wants to gift her son \$400,000 all in one year so he can buy a home?

The \$400,000 gift exceeds the \$17,000 annual limit by \$383,000. Will this create a taxable event?

Most likely not. The IRS will allow mom to reduce her \$12,920,000 lifetime gift tax exemption by the amount she exceeded her \$17,000 annual limit per person.

In this case that would be $\$400,000 - \$17,000 = \$383,000$.

Moving forward, mom's remaining lifetime exemption of \$12,920,000 is now reduced by \$383,000 to a remaining lifetime exemption amount of \$12,537,000.

The purpose of this article is to get the conversation started since a number of clients are asking about it. The gift tax exemption limits sunset at the end of 2024 and the amounts can change. If you are planning on gifting down payment money to family or friends, you should definitely talk to your tax accountant. My days as a tax accountant are long behind me and I am no longer qualified to give tax advice.



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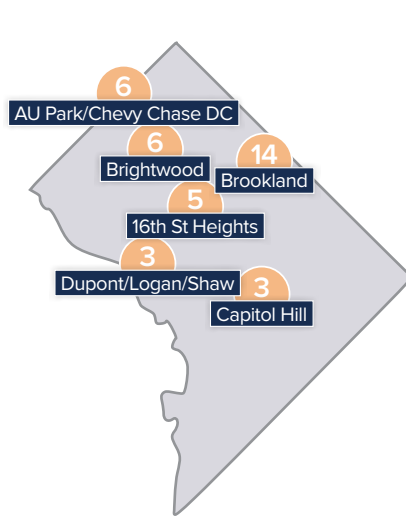
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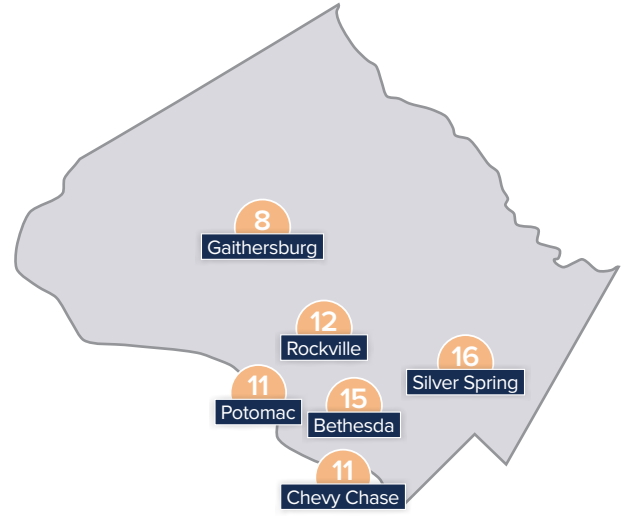
Single Family Detached homes priced from \$800,000 to \$1,600,000

Inventory is tight in the \$800K – \$1.6M range. The circles to the right show how few homes are for sale in these DC and Montgomery County Neighborhoods.

For all of DC and Montgomery County there are **196 homes for sale** and **270 under contract**. Whenever there are more homes under contract than for sale, prices are going up.



District of Columbia



Montgomery County

Listings as of June 6, 2023. Maps not to scale.

Good Happenings

Good Happenings is a look at market trends, Ron Sitrin Team insights, great stories and good things we want to share. All content shared is approved by the clients.

This month we've looked at some almost too-good-to-be-true real estate events. What amazing things can we make happen for you?

The Ron Sitrin Team

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Have a question, story idea or comment? Give us a shout!

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