



Things to consider when co-owning a house.

If you are unmarried but co-own a house together its best to have a legal agreement in place in the event that the relationship comes to an end. This agreement will serve to cover you in the event of death too. Once you have discussed and decided on the below you will need to get this agreement drawn up by a lawyer. Both of you need to then sign it and have a copy of it.

Some of these questions may not relate to you now, but put them in your agreement anyway. Life happens and by doing this you will have discussed it and already settled on an agreement.

What supporting documents do you need for this agreement:

- Copy of the title deed

What if the property has been subdivided

1. Copy of the title deed which reflects your portion of the property (property details), confirmation of the subdivision as well as the exact values of what has been spent on the property to date and who contributed what (if it was not equal)

Record keeping and opening a property bank account

2. Keep a very good record of all improvements and maintenance to any property. That means the actual invoice and possibly a running spreadsheet of each and every tiny thing. This will affect your Capital Gains Tax (CGT) calculation down the line when you sell the property. If you don't do this from the get go,... this just becomes an enormous task down the line and it will cost you in the form of increased CGT which is unnecessary
3. Possibly consider having a separate account into which the rental is paid and from where the property expenses are paid out. This just means that its considerably easier to trace income and expenses. It also prevents the need for time consuming admin in figuring out what belonged to the property and what did not.
4. If you decide to rent the house at some point, what will you do should there not be rental income for whatever reason. This is really important if you are paying off a bond and there are additional expenses to be covered. Will you each contribute 50% of the property expenses? Will you pay it to the "property account"?
5. For this reason, if you are renting out a property, try and save at least two month's expenses (Bond, Rates etc) in an account to tie you over for unexpected months. It also means that there will be money for maintenance, which is ongoing. So plan for it from the get go and then you will be covered.

Selling the property at some stage:

6. If you decide to sell the property, of course costs and taxes will first be settled (another reason to have some "excess funds" in the property account) , thereafter each must be refunded what they have contributed (if not equal) and the profit will be split 50/50? This is for you to decide, but keep a record of who contributed what (just like your maintenance on the house), its so much easier to do this than try to go back and do it years later

What happens if one of you passes away:

7. What will happen if one of them pass away? The deceased party will own 50% which he/she could bequeath to his/her heirs, which could be a problem. Does the surviving party have to buy out the deceased's party's interest and if so, at what value? If the remaining party does not have cash to pay for the 50% or they can't get a bond, will the deceased party agree to a payment in instalments? Or must the property be sold.
 - a. **EXAMPLE OF ANSWER:** Surviving party has first right of refusal to deceased party's interest at "market related rate". If they don't have the funds, the property must be sold.

What happens if your relationship ends but you still own the property together?

8. Who manages the bank account and attends to payments of rates etc?
9. Will you have a rental agreement in place? If not – who will deal with the tenants, rental agreements etc.
10. Will everything continued to be paid 50%/ 50%? And what happens if in one month one of the parties can't pay their 50%?
11. Are there any other arrangements between you, such as a right to utilise a part of the property etc.
12. If one of the parties get married, we need to provide for his/her interest in the property to be excluded from the marriage so it does not form part of an accrual claim or maintenance claim.

