

What's the difference?

Right of occupancy vs. Life estate

Understanding estate planning in California is vital due to its complex housing market. This infographic simplifies the differences between Rights of Occupancy and Life Estates to aid in informed decision-making.

Right of occupancy

Temporary Residence

VS

COOKMAN LAW

Life estate

Permanent Residence

Definition

A **right of occupancy** extends the privilege of residence for a predefined and agreed-upon duration, offering a temporary solution for residence.

A **life estate** grants an individual the legal prerogative to inhabit a property throughout their lifetime, providing long-term security.

Duration

It is temporary, typically spanning months to several years, and varies according to the specified conditions laid out by the agreement.

This arrangement endures for the lifetime of the individual, ensuring a consistent residence unless they choose to relocate.

Taxes

Requires adherence to property tax laws, with particular attention to Proposition 19 in California. Understanding these tax laws ensures effective financial management.

Life estate holders, particularly those who are not spouses, may encounter potential tax reassessments. Being aware of these possible tax implications is crucial.

Termination

Terminates based on predefined conditions, such as departure before a certain time, selling or transferring the property, or breach of agreed-upon terms.

Terminates upon the death of the holder, if they opt to move or sell the property, subject to the original agreement.

Suitability

Right of Occupancy is well-suited for individuals who require a residence for a temporary period with predetermined end terms.

Life Estate is optimal for seniors, spouses, and family members who require a sense of lasting security and stability in their living arrangements.

Quick facts

Residency Duration

Life Estate offers long-term residence while Right of Occupancy is often temporary.

Impact of Proposition 19

California's Proposition 19 can affect property tax assessments in both arrangements.

The Trustee's Role

A trustee is crucial for enforcing rules and resolving disputes in both arrangements.

