



Tenants in Common vs Joint Tenants

When buying a property with someone else, you'll likely be asked if you want to be joint tenants or tenants in common. Since both can affect your rights and obligations as a property owner, it's important that you understand the difference between the two so that you can choose the option that best suits your situation, and your relationship with the person you are buying the property with.

What are Joint Tenants?

Joint tenancy is when two or more people own equal shares in a property, and it typically includes the right of survivorship. This means that when one partner in the tenancy passes away, the other party (or parties) immediately inherits the deceased owner's interest in the property.

For example, if Taylor and Casey own a home together as joint tenants, and Casey passes away, Taylor can inherit Casey's interest in the home automatically. In other words, since they both own the property equally, Taylor would own all of the interest in the property in the event of Casey's death. If Taylor and Casey were not joint tenants, Taylor would have to wait for Casey's Last Will and Testament to be reviewed and moved through probate to determine how Casey's interest in the property would be distributed, which can take months, and sometimes even years.

Keep in mind that joint tenancy also means that all owners are responsible for the property. Therefore, if one party accrues debt on the property, all of the partners are liable to make payments. Alternately, all parties are also entitled to any profits made from the property, either through rental income or selling the home.

What are Tenants in Common?

In contrast to joint tenants, tenants in common can own unequal shares in a property. As well, if one owner dies, their interest in the property is distributed based on their estate plan and does not automatically transfer to the other owners of the property.

For example, Sam, Bill, and Mary all own a property together. Sam owns 50%, Bill 30%, and Mary 20%. If Sam passes away, his interest in the property will be distributed to the beneficiary of his choice, as determined by his Last Will and Testament. If he does not name Bill or Mary as a beneficiary, neither of their shares in the property will change. Tenancy in common can be beneficial for people who want to control the percentage of interest each party has in a property. For example, if Sam, Bill, and Mary are purchasing a home together as an investment property, and each party is contributing a different amount to the down payment, they may wish to control who has the most and least interest in the property.

It's also useful for people who wish to leave their interest in a property to someone other than another owner. For example, if Mary wants her daughter to inherit her 20% share in the property instead of having it automatically go to Bill or Sam.

Choosing the Right Type of Ownership

The type of ownership you choose for your real estate purchase depends on who you are making the purchase with and what your relationship with them is like. While joint tenancy is common among married couples, it may not necessarily be right for someone who wants to leave their share in a property to their children from a previous marriage instead of to their new spouse. If you're not sure which you should choose in your next real estate purchase, talk to your real estate agent or lawyer to determine whether your situation calls for a joint tenancy or a tenancy in common.

