

THE CONVERSATION NOBODY WANTS TO START

The Sibling Money Agreement

When one sibling builds an ADU on a parent's property, three questions decide whether the family stays close: who pays, who owns it, and what happens when Mom or Dad is gone. Here's how to answer them — before they answer themselves.

The build rarely divides families. The silence does.

An ADU on a parent's lot is one of the smartest things a family can do — more independence for the parent, real help for the adult child, an asset that stays in the family. But it touches the two things siblings fight about most: money and inheritance. The families who do this well aren't the ones who avoid the topic. They're the ones who put it on the table early, while everyone's calm and nothing's been spent.

This guide walks through the four decisions to make together, a fairness framework that has kept siblings on the same side, and the exact points to write down. It is not legal advice — it's the map for the conversation you have before you ever call a lawyer.

THE PRINCIPLE UNDERNEATH ALL OF IT

Fair doesn't always mean equal. A sibling who funds the build is taking a risk and putting up capital; a sibling who lives nearby and provides daily care is contributing too. Name every kind of contribution — money, labor, care, risk — and "fair" gets much easier to agree on.

01 Who pays for the build

The four common structures — and who each one fits.

One sibling funds it. Most common. The sibling who'll benefit most (often the one living closest, or who'll use the unit) pays. Cleanest to arrange, but it needs the ownership and inheritance questions (Sections 3 and 4) answered in writing, or resentment builds later.

Siblings split it. Everyone contributes, everyone shares the upside. Feels equal, but only works if all siblings genuinely want in and can carry it. Unequal incomes make "50/50" quietly unfair — consider splitting by ability, with ownership adjusted to match.

The parent funds it from their own assets. If the parent has the means, the ADU can be built with their money, on their land — simplest for the siblings, and it stays in the estate to be divided later. The conversation shifts to Section 4: how the property is divided down the road.

A blend, documented. One sibling funds the build, another offsets it by providing care or covering the parent's other costs. Perfectly workable — as long as the offset is written down with a number attached, not left as a vague understanding.

02 Put a number on every contribution

Before you can split anything fairly, name what each person is actually putting in. Fill this in together.

- ☐ **Capital**
Who is paying for the build, and how much? Cash, HELOC, refinance — the dollars in.
- ☐ **Risk**
Whose name is on the loan or the equity line? That person carries the downside if anything goes wrong.
- ☐ **Care**
Who provides the day-to-day — groceries, rides, checking in? Care has real economic value; a home aide runs \$25–35/hour.
- ☐ **Time & management**
Who manages the project, the parent's needs, the family logistics? That labor counts too.

A SIMPLE WAY TO KEEP IT FAIR

Write each sibling's contributions in a shared note, with rough dollar values. You're not billing each other — you're making the invisible visible, so nobody feels they gave more than they got. Revisit it once a year.

03 Who actually owns it

The ADU almost always stays legally part of the parent's property — it can't be sold separately in most of California. So "ownership" here means: who has a documented claim to its value?

This is the step families skip, and the one that causes the most pain later. If a sibling spends \$250,000 building a unit on Mom's lot, and nothing is written down, that money can legally vanish into the estate — split evenly among all siblings when the parent passes, as if it were never spent. The fix is simple and it must be in writing.

- ≡ A written family agreement recording who funded the build and what they're owed.
- ≡ Often a promissory note or a documented loan to the parent, repayable from the estate before it's divided.
- ≡ Sometimes an adjustment to the parent's will or trust so the funding sibling is made whole first.

These are options to raise with an estate attorney, not instructions. Every family's situation — and California's rules — differ. The point of this guide is to walk into that meeting already aligned.

04 What happens when the property passes

Two things worth understanding before you plan: how the value is divided, and how California property tax works between generations.

Divide the value, protect the funder. When the property eventually passes to the next generation, the sibling who funded the ADU should be repaid or credited before the remaining estate is split. Agree on this now, in writing, and the inheritance conversation stops being a landmine.

Know how Prop 19 affects the parent–child transfer. California's Proposition 19 changed how property tax basis passes from parents to children. In many cases a child who inherits and lives in the home can keep a favorable tax basis; in others the property is reassessed. It's specific to your situation and worth confirming — the difference can be thousands per year.

YOUR FREE NEXT STEP

Before the money conversation, get the money facts. KĒĒP's 48-hour feasibility assessment gives you a real, written build cost for your parent's lot — so the numbers you split are actual numbers, not guesses. Free, no obligation, at keepadu.com. Pair it with Guide 04, The 5-Year Money Picture.

General information for planning conversations only — not legal, tax, or financial advice. Confirm specifics with a licensed estate attorney and CPA.