

WHAT IS A LADY BIRD DEED?

A Lady Bird Deed - also known as an Enhanced Life Estate Deed - is a powerful estate planning tool recognized in Texas that allows property owners to transfer real estate at death, while still retaining complete ownership and control during their lifetime. Below are some key facts about this document that everyone should understand.

You Keep Full Ownership Until Death

Unlike a traditional life estate deed, a Lady Bird Deed allows the grantor (property owner) to retain complete authority over the property during their lifetime, which includes the right to sell, mortgage, lease, or revoke the deed at any time, without the consent of the named beneficiary. The beneficiary holds no ownership while the grantor is alive.

Probate Avoidance

Upon the grantor's death, the property transfers automatically and directly to the named beneficiary, without having to go through probate. Probate can be costly and time consuming. Having a properly drafted and recorded Lady Bird Deed can help avoid those costs and delays.

Can Help with Medicaid Planning

A Lady Bird Deed can protect a home from Medicaid estate recovery in Texas because the property isn't treated as a completed gift during the grantor's life (since they've retained full control). This makes it useful in long-term care planning.

Tax Advantages

A Lady Bird Deed does not create a taxable gift when it is signed. No gift tax is owed, and no gift tax return is required at that time. Because the owner retains full control of the property during their lifetime, the home remains part of your taxable estate. This allows your beneficiary to receive what's known as a "stepped-up" cost basis at your death, often significantly reducing capital gains taxes if the property is later sold.

Disclaimer: This handout is for general information purposes only and does not constitute legal advice. Individual planning varies. Please consult a licensed Texas attorney before executing any deed.