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Estate Planning Strategies for Transferring California Real Estate

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Soto Law Group has published a new educational article, "Real Estate and Estate Planning: How to Transfer Property in Newport Beach," examining the legal and tax challenges facing California families as they prepare to transfer high-value real estate to the next generation. The article addresses how rising property values, recent changes to California law, and outdated estate plans can expose heirs to probate delays, unexpected tax liabilities, and family disputes if real estate transfers are not properly structured.

The article highlights that in many California households, particularly in coastal markets, real estate represents the largest component of a family's net worth. Homes purchased decades ago for modest sums may now be valued in the millions, creating significant exposure to property tax reassessment and capital gains taxes when ownership changes. According to the article, failure to plan correctly can result in heirs losing long-standing property tax protections and facing extended probate proceedings that can last more than a year.

?Real estate is often treated casually in estate plans, even though it is usually the most complex and valuable asset a family owns,? said Romelia DeDe Soto, founder and principal attorney at Soto Law Group.

?California?s tax rules make it especially important to understand how title, trusts, and transfer timing interact. Small mistakes can have permanent financial consequences for the next generation.?

The article explains how Proposition 13 historically protected property owners by limiting annual property tax increases, while also outlining how Proposition 19 significantly narrowed the parent-child transfer exemptions beginning in 2021. Under the current law, only a primary residence may qualify for limited reassessment relief, and only if strict occupancy and filing requirements are met. Vacation homes, rental properties, and other inherited real estate are now generally subject to full reassessment at market value, often resulting in sharply higher annual tax bills for heirs.

To address these challenges, the article emphasizes the role of revocable living trusts in real estate-focused estate planning. When properly funded, trusts can allow property to transfer outside of probate, maintain privacy, and preserve favorable income tax treatment through a step-up in basis at death. The article notes that for married couples holding property as community property, careful planning may also allow for a double step-up in basis, substantially reducing future capital gains exposure if the property is sold.

The publication also cautions against common title mistakes, such as adding children to a deed during the owner?s lifetime. While often done with the intention of avoiding probate, this approach can trigger unintended tax reassessment, expose the property to a child?s personal liabilities, and eliminate the step-up in basis that would otherwise apply after death. According to the article, these issues frequently emerge years later, when heirs attempt to sell or refinance the property.

Another area of focus is the use of limited liability companies for rental properties and shared vacation homes. The article explains how LLCs can help limit liability, clarify management rights among multiple owners, and simplify buyout arrangements among heirs. When coordinated with a trust, these structures can provide long-term flexibility while aligning with estate planning goals.

The article also addresses incapacity planning, noting that property owners who become incapacitated without a trust or durable power of attorney may force their families into court-supervised conservatorship proceedings. These proceedings often require judicial approval for property management or sale and involve public filings, delays, and additional expense. Similarly, when property owners die without a trust, their estates may be subject to probate fees that can total as much as five percent of the estate?s value under California law.

?Estate planning is not just about documents; it?s about anticipating real-world family dynamics and future decision-making,? DeDe Soto said. ?When plans are outdated or incomplete, real estate can quickly become a source of conflict rather than stability.?

The article concludes by urging property owners to review estate plans every three to five years, or after major life changes, to ensure that trusts are properly funded, trustees remain appropriate, and strategies reflect current tax law. It underscores that proactive planning can help families preserve property, reduce administrative burdens, and avoid disputes among heirs.

The full article is available on the Soto Law Group website. For more information about estate planning and real estate transfers, visit the firm's website or learn more about Soto Law Group's estate planning resources.

Members of the media seeking additional insight into estate planning trends, Proposition 19 impacts, or real estate transfer strategies may contact Soto Law Group for commentary and expert analysis.

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The Soto Law Group serve the needs of our clients in Estate Planning, Special Needs, Conservatorships, Trust Administration, Probate or Trust and Wills disputes in Newport Beach and surrounding California communities.

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