

## **Sharing Vacation Homes - Matter of Taste, Differences in Opinion**

By Tom McGee

If you're thinking about buying a vacation home, you're not alone. Last year, vacation homes accounted for 33 percent of all real estate sales. And this trend is sure to grow as baby boomers approach retirement and housing prices continue to fall.

Buying a vacation home with family or friends can help minimize ownership costs. But no matter how close the relationship - buying property together can have pitfalls.

Some items to consider:

**Compatibility.** When buying a home together, the more values you share the better. Does one owner prefer a quiet vacation style while another likes parties?

Look for an ownership partner who shares your financial values, isn't overextending themselves with the purchase and gives you confidence in their ability to continue to meet their share of the mortgage and maintenance expenses.

What about cleanliness? If one owner spends hours cleaning after their visit and the other just tidies up a bit, you may have conflicts about how the house is maintained.

**Ownership.** Determine how the property will be owned. Establish in writing ownership percentages, down payment amounts and how and when all bills will be paid. Typically, a 20 percent owner will pay 20 percent of all expenses.

What are the plans for ownership changes when the original partners are no longer around?

A popular form of ownership is the limited liability company. The LLC is a cross between a partnership and a corporation; it can be set up to protect the rights of all owners and to insulate the property from the financial problems or bankruptcy of any individual owner. Talk to your legal adviser about ownership options before entering into a contract.

**Establish Rules.** Put in writing how the home will be shared. Items to cover include who can use the house, how expenses will be paid, and how maintenance chores will be handled or paid for. Rules also can cover who gets the prime visitation times, cleaning standards, misbehaving pets or friends and renting out the home to cover expenses.

**Exit Strategy.** Even with the best of partnerships, lives change and a co-owner may need to leave the group because of divorce, death or job relocation. Plan ahead on how your vacation partnership will be dissolved. With a plan in place, you'll know what to expect before a family fight or conflict arises.

Sharing a vacation home can provide an attractive getaway, build lifelong friendships and create many happy memories. Joint ownership can help minimize expenses and be a solid investment that will appreciate over time. Be sure to establish a written plan that anticipates and addresses how the home will be shared, managed and financed.

Finally, think through the idea of whether a smaller vacation home that you own all to yourself is the better fit for your personality and needs.

See your attorney for ownership and partnership contract guidance, and your financial adviser for vacation home mortgage options and other related financial advice.

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