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JOURNAL REPORTS: WEALTH MANAGEMENT

How to Own a Vacation Home—With Someone Else

Teaming Up With Friends or Family May Be the Only Way to Afford It. The Trick Is in the Sharing.



Descendants of industrialist William Keeney Bixby gathered in July 2010 for the annual family meeting at the summer home they share on Lake George, N.Y. LUCY BIXBY PHOTOGRAPHS

By Peter S. Green

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Figuring out how to share a vacation home is no day at the beach. But it may be the only way to have a day at the beach at all.

That’s because the price of second homes is rising, and few people have enough cash to buy one on their own, let alone enough vacation time to justify the purchase. So increasingly they’re teaming up with friends or family to buy—or, in the case of inherited property, to keep—that much-coveted retreat from the hassles of daily life.

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And, too often, straight into the hassles of shared ownership. What could go wrong when sharing a vacation home with your dearest friends and family? Plenty, it turns out. The potential issues run the gamut—from how do you buy to how do you share time to how do you split costs to how do you sell.

“It’s like a marriage,” says Craig Gibson, a real-estate attorney in Bridgehampton, N.Y. “There’s a 50% chance it’s not going to work.” (In case there’s any doubt how Mr. Gibson feels, he calls joint ownership in general “a recipe for disaster.”)

The Ground Rules

So, how can buyers reduce the likelihood of a disaster?

First off, experts say, consider the *type* of property carefully.

Kirk Booth, a broker in Asheville, N.C., counsels people looking to jointly buy a vacation place for the first time to start small. Try a planned community, where maintenance and

the pool are part of the common charges, he urges, leaving fewer issues to complicate a relationship.

Also decide *how* the property will be used. Will it be primarily a vacation spot for the owners to use, a place they can rent to others or some combination? It's all too easy for people to approach a purchase with very different assumptions and figure everyone else is on board.

Ryan and Michele DeShazer, of Columbus, Ohio, had long talks with their co-buyers before purchasing vacation properties in Surfside Beach, S.C. The verdict: rentals, at least for now.

"We all agreed that we are not going to personally make a profit or use the houses as a vacation home for a while," says Ms. DeShazer, who adds that she's hopeful the two families can afford to begin vacationing in one of the homes some time soon.

Discussing, researching and agreeing in advance seems to have worked, she says. "We are all still happy and friends—so we are doing something right."

Experts also say that it's crucial that joint buyers spell everything out ahead of time. "You have to put together a checklist of all the things you need to agree on and all the things that could go wrong," says Jeff Lichtenstein, a real-estate broker in Palm Beach Gardens, Fla. "Basically, you need a real-estate prenuptial."

When it's time to make the purchase, buyers also should think about *how* the deal will be made. Mr. Gibson recommends setting up a limited-liability corporation to

make the purchase. This setup keeps the buyers' personal finances separate from the property, he says, and the partners can set out their rights and obligations in the company's founding document.

Dropping Out

For one thing, what happens if a buyer can't keep up with

obligations? Anyone can suddenly become unable to meet joint payments on a home, says broker D. Patrick Lewis, in Scottsdale, Ariz. So, an exit plan should be a key part of any arrangement.

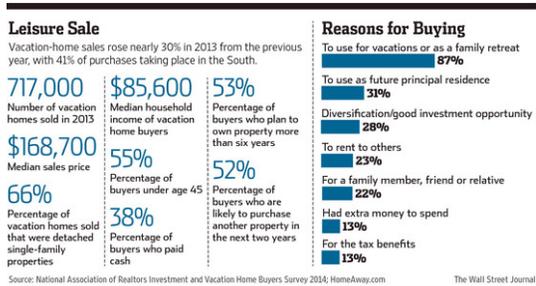
"It is necessary to have both blunt, exhaustive and sometimes uncomfortable discussions with all parties," says Ms. DeShazer.

Chuck Bennett, a broker in Rancho Mirage, Calif., says partners should agree at the start how long to hold the property or how often to evaluate whether to keep or sell. "One person almost always wants to back out, gets a divorce or loses money, so you just have to keep your agreement as ironclad as possible and set reasonable expectations about everything," he says.

Mr. Booth, the broker in Asheville, suggests giving the remaining partners the right of first refusal if one wants to sell. "It's very important that everything be agreed up front," he says. "I may not like who you are going to sell it to, and don't want to be in a business with that person."

Another big consideration that often gets overlooked—but should be settled in advance—is maintenance. Who's responsible for keeping the place clean and in good repair? That can be especially tricky if the property is hundreds of miles away or more.

One solution is to rotate the job so nobody has to do it full time. For the past 12 years, Sabrena Tufts and her two sisters have been sharing a Martha's Vineyard summer home they inherited from their mother. The sisters initially divided the responsibilities for



Home Sweet (Vacation) Home

Top 10 U.S. counties with the greatest share of vacation dwellings

County	Main Vacation Area	Median List Price
Vilas, Wis.	Land O'Lakes, Manitowish Waters	\$239,000
Summit, Colo.	Breckenridge, Copper Mountain	435,000
Cape May, N.J.	Cape May	389,000
Worcester, Md.	Ocean City	275,000
Dare, N.C.	Kill Devil Hills, Nags Head, Cape Hatteras	359,000
Camden, Mo.	Osage Beach, Lake of the Ozarks	187,000
Summit, Utah	Park City	799,000
Carroll, N.H.	Ossipee, White Mountain Natl Forest (part)	246,400
Oneida, Wis.	Three Lakes, Minocqua	169,900
Pike, Pa.	Lackawaxen, Greentown	179,900

Source: Trulia

The Wall Street Journal

the home into three buckets—financial, rental and operations—and rotate the responsibilities each year.

That makes it more palatable to deal with repairs and contractors from a distance, such as last year when they had to raise the house and dig a foundation. "Doing construction on an island far from where you live can be aggravating," says Ms. Tufts. "But we were able to do it because we shared the chores."

Another important financial step to take early on: setting up a shared bank account to cover maintenance and other expenses (and agreeing every partner will make regular payments).

A separate account for the property draws a sharp line between personal and investment funds, and makes clear what's going in and what's going out, says Ms. DeShazer. "We discuss all [deposits and withdrawals], no matter how large or small. You also have to determine what profits will be reinvested versus withdrawn for personal use. In addition, how you will pay for any large debt, if the money is not in the account?"

Setting Up a Schedule

Then, of course, there's the matter of who gets to use the house when. This is an area that can be tough to set in stone ahead of time, because people's needs change so often. One solution: a spreadsheet with time slots that rotate on a schedule or are assigned at random.

Rod Smith, a broker in Myrtle Beach, S.C., says a group of 13 couples came to him with what he thought was a near-perfect plan to share a beachfront condo. Each couple was assigned by lot four weeks a year, which could then be traded or sold to the other members as they wished. Mr. Smith had them add to their operating agreement one week a year during which the apartment was shut for cleaning and repairs by a professional maintenance firm.

Some owners, like Ms. Tufts and her sisters, meet when necessary to hash out schedules. Now that her siblings have children of their own, the three-bedroom house is too small for everyone to be there at once. Last year, the three sat down to replan how they share the house.

"We're adapting the schedule to our lifestyles," says Ms. Tufts. "It's about having a system and mapping things out."

The sisters with children have priority during school vacations, and if there isn't enough space for everyone on a holiday weekend, the sisters are now in a position to rent a nearby cottage.

Barbara Reale, who shares a vacation home in Wall, N.J., near the Atlantic Ocean, with her sister and brother, says the siblings have worked out rules on when their children can be left alone in the house, and when they can use it with friends and without parents. "That's a source of potential friction," she says, so it's good to have an agreement in place.

Other parts of their dealings haven't been working out quite so well, she says. Ms. Reale says she has set up a shared online calendar that all the owners can view and update, as many pros recommend. "Nobody uses it but me," she says. That has led to a few weekends where her siblings have shown up with extra people, making for a tight fit in the six-bedroom house they inherited from their mother, she says.

Her brother, Aldo Reale, says he never uses the spreadsheet, and just picks up the phone when he needs to coordinate. Her sister, Nancy Gifford Humphreys, says she never uses it either. "I forgot about it," she says with a laugh. "I never use it. I like to text or use more personal forms of communication."

Houses held by the same family for generations can also present complex challenges, says Nancy Golden. Her great-grandfather, William Keeney Bixby, an early 20th-century industrialist, built the "Big House" on Lake George, N.Y., in 1902.

Today, about 250 heirs share the mansion and a smaller house on the grounds. Because of the number of relatives involved, the family formed a corporation to oversee sharing the place. A treasurer tracks expenses and proposes an assessment each year. Each family branch appoints a booking agent to assign time slots, which are rotated annually. Slots can be sold or traded to other relatives.

The corporation spends over \$100,000 a year to maintain the houses, grounds, tennis courts, a boathouse and an 1890 electric launch. Ms. Golden, who has worked as a professional fundraiser, has been holding auctions each summer to raise an endowment for the property—selling everything from maple syrup made by a Bixby to time at a Bixby vacation home in Belize.

She has raised more than \$500,000 over the past 10 years, she says, with interest from the endowment spent on capital improvements. "It's endless," Ms. Golden says. "They painted the north side last year, they'll do the east side next year," then the boathouse, the smaller house and start over again.

Mr. Green is a writer in New York. He can be reached at reports@wsj.com.

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