Should You Own a Vacation Home With Family or Friends?



Is traveling with family or friends your preferred way to vacation? Do you and your loved ones have a special vacation spot that you'd like to spend more time at during the year?

Making a group purchase of a vacation house could be a great way to share more good times. Co-owning a second home can reduce the financial burden for everyone involved, including smaller down payments and, potentially, an easier qualification process for a mortgage. When you can't all vacation together, individual families will have a low-cost vacation option. Renting the property when no one is using it could provide all owners with some extra income. And with multiple groups staying at the house throughout the year, it's

more likely you'll perform regular maintenance.

However, these benefits could be outweighed by potential conflicts that could damage both your finances and your relationships. Sit down with your vacation crew and answer these four questions to decide if sharing a vacation home will improve or complicate your lives.

1. How much do we really love this place?

Spending a long weekend at that beachfront condo with your college roommates or siblings might be one of the highlights of your year. But once you purchase that condo, you're effectively committing to an extra weekend, or two, or more, in order to justify the purchase. Are that condo and the surrounding community still going to feel special when you're, essentially, a part-time resident? Is this place just a hub where you all can easily meet, or do you genuinely enjoy the local restaurants, shops, parks, and cultural venues? Are there reasons to visit year-round?

2. How much do we really love this house?

What's charming about the lakeside cottage you visit every summer might start to seem annoying when you're the one in charge of upkeep. Don't let the views distract you from fundamental quirks that could develop into expensive problems in the future.

Speaking of the future, will this house be able to accommodate you and your loved ones as your families grow? Toddlers may get a kick out of sharing bedrooms for the weekend. Teenagers, not so much.

3. How will scheduling work?

Even if your vacation home is large enough to accommodate two or more families, there will be times when you'll want the house to yourself. Are you going to share an online booking

calendar that works on a first-come-first-served basis? What are the rules around holidays and other special occasions? Do you want to reserve a block of dates throughout the year for rentals so that you can earn money on the property? What if one of those rental blocks becomes the only week one of the owners is available for a vacation?

4. What legal framework do we need?

Many groups who decide to purchase a home together think the money part will be easy. Mortgage costs? We'll rotate who pays every month. Need a new water heater? Split the cost evenly. Rental income? Just divide it between all the owners.

But even these seemingly simple issues can lead to arguments – or worse, legal action – if the owners don't define and agree to some basic principles. And what about the more complicated parts of co-ownership? How is third-party rental income going to be accounted for and taxed? What happens if you don't all agree that the roof needs to be re-shingled? What if someone wants out and decides to sell their stake in the house?

At the very least, you and your potential co-owners should consult an attorney, who might recommend you form a legal entity, like an LLC or trust, with a set of agreed-upon bylaws.

And once you have a legal plan, give us a call so that we can run this potential purchase through your personal financial plan.

This article was prepared for Aaron Larson's use.