

YOUR MONEY

From Repairs to Exit Strategies, Details Matter

By HILLARY CHURA APRIL 12, 2008

Buying a vacation home with friends or relatives can reduce individual costs and operating expenses as well as divide responsibilities. But while most buyers think first of those lazy evenings on the balcony, sipping mojitos and watching the tide roll in, the purchase is still an investment.

Real estate advisers, lawyers and people who have bought second homes agree that it is best to try to account for all what-ifs early on. Here are a few things to consider:

Buy the property within a limited liability corporation, which protects personal assets in case of lawsuits or other financial issues.

Talk to an accountant about write-offs or depreciation.

Make terms simple to ensure that everyone understands each other.

Meet with a lawyer who can draft an agreement covering such issues as who handles bills and repairs; how expenses will be split; who gets custody of the home in case of divorce; and how much sweat equity equates to financial equity. Determine how much owners can spend, say \$50 or \$100, to get reimbursement without receiving prior approval.

Establish an exit strategy — how long will you keep the property before you consider selling, must sellers offer right of first refusal to partners or can they go

directly to the open market.

Buy with friends or people you know well.

Go in with people of similar incomes and spending styles. If buying new towels hits your budget, do not link up with people for whom a \$15,000 kitchen renovation is pocket change.

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