

Morton and Janet – Saving big \$\$ on their first boat purchase

Morton Billsake closes his briefcase and heads for the elevator, excited at the prospect of attending the floating boatshow tomorrow with his wife Janet. For many years, Morton and Janet have chartered occasionally, headed out with friends and from time to time, taken a friend's yacht which sits idle far more than any boat should. But now they decided that it was time to own their own yacht.

As Morton headed to the garage and started his drive home, he recalled all the jokes about yacht ownership – how the day he bought a boat and the day he sold it would be the two happiest days of his life – how a boat was a hole in the water into which he would dump buckets of his hard earned money. He wondered the best route to ensure that hole would be proportionate to the incredible satisfaction gained by finally owning his own boat. He and Janet had set a reasonable budget for this next big expenditure. They planned to spend more than the value of either family vehicle, but far less than their home, now within several payments of being 'all theirs'.

They had spoken to their favorite charter company about having a yacht placed with them for revenue and management services to keep the boat ready at all times. They liked the charter company, but Morton, who had also painstakingly restored a classic Thunderbird, was uncomfortable with the thought that someone else might scratch his new toy. He thought of the rental cars taken out on business trips and how he cared so much less for those than his own vehicles. Indeed, he knew another couple who had placed a yacht in charter management, but they seemed indifferent to 'what could happen'. They had rationalized that the charter company would always remedy any significant problem, this was part of the business and in the end, this program allowed them to own a yacht much bigger boat than they would otherwise try on their own. Still, Morton wondered if this was the best route for him to take. Perhaps a more 'modest' purchase for his exclusive use would be more appropriate.

The daydreaming made the trip home fly by. Over dinner with Janet, he continued to agonize over the best way to handle their purchase. They talked about the fact that everything at the show would be tempting, but they needed to step back and consider all the factors. Heading to bed that night, Morton was still weighing all the options in his head.

They started at the boat show as it opened the next morning. As they climbed on the boats, Janet noticed the yacht detailer climbing off. Her cleaning kit included an assortment of toothbrushes – clearly these boats were as spotless as could be. The salon tables were setup with fine linens and china (which appeared completely impractical and at the same time incredibly nice). After climbing through a dozen boats, Morton and Janet bumped into their regular charter agent, Colleen Cartwright of Mystic Boats.

“How is the season shaping up?” asked Morton.

“Oh, it looks very good” said Colleen, “we have a handful of new boats and are working very hard to ensure they are ready for service in the near future.”

“We’ve been considering adding another yacht to your fleet as well. Could you use another Seascope 37’ like that one over there?” asked Morton, excited about the boat he and Janet had just combed over in great detail.

“I’m sure it would be a great long term addition” said Colleen, “but keep in mind we’ve already done a lot of marketing and we’re a little late for this year to do a great job for another boat – timing is everything in this business you know!”

“We had not thought about that very much” said Janet, recalling last year’s booking. “I remember having a hard time getting the boat we wanted last year for our holiday – we assumed you needed more boats”.

“Well, it is true that we had a hard time getting you the exact boat you wanted, but that was the highest peak of the season and the booking wasn’t made too far in advance. The key to a successful fleet addition is to be able to get it a full season. Quite simply, we’ll never have enough boats for certain weeks of the year, but the optimum fleet size is one where the boats all get enough bookings to support themselves, not the optimum fleet size for the three favorite weeks of the year.”

“Wow, we never looked at it that way,” said Morton. Now he was getting more certain that adding a boat to charter was not going to be a great idea for this year.

Over lunch, Janet and Morton revisited their budget and swore to speak with the next broker about their specific price range for a ‘solo venture’. After looking at a few boats, they became horrified by what they would get for the amount of money allocated to this project. After a great session with they also met Fraser Davidson of Progressive Yacht Sales, they also learned that the amount they expected to put into annual expenses of moorage, insurance and maintenance was too low – by almost 40%. Janet pointed out that with the strong yacht sales market and lack of new marinas in the area, moorage and other costs to maintain the boat would likely rise as resources became scarce. As they finished looking at the boats at this area their conversation was circling back to chartering a boat this year and postponing the purchase decision until the fall, when they could revisit the charter management option with their agent and could find out what yachts were retiring and needed replacement – and get all the marketing benefits the agent could provide.

The boat show was split over two locations and while waiting for the shuttle, Janet overheard another couple, who were noticeably excited, discussing their boat purchase.

“Why didn’t we think of this before?” exclaimed the lady, who spoke with a slight ‘old country’ accent. “We can’t use it all the time and won’t really want to own a ‘rental boat”

“It is a wonder this program hasn’t been thought of before. It has some of the positives of a timeshare, but I think we’ll find it much more personalized than that” said the gentleman.

“Yes, but thank goodness there isn’t the same odd presentation to attend with pricing that is only available for the hour afterwards. I was relieved not to be in that high pressure situation again – remember the session in Hawaii for the beach cottages?”

Janet, now completely hooked on this other conversation was tugging at Morton’s sleeve, encouraging him to join in on the eavesdropping. She could resist no longer.

“Excuse me, are you talking about a boat timeshare program or something like that?” asked Janet.

“Sort of, but we think it much better than timeshare. We just met with a representative from One 4 Yacht Fractions. They sell quarter shares of yachts and arrange the management of the boats. We’ll be sharing a new yacht with three other families. By the way, I’m Ted and this is my wife Margaret”

“Oh, I’m Morton and this is my wife Janet. That sounds really interesting. Do you like the other families?”

“The beautiful part is, we don’t know the other families” said Ted. “Oh, we’re welcome to meet them, but the One 4 crew is our primary contact. They will prepare the boat for our use, and inspect it after each use to ensure that we are only paying for our share of the boat and items directly resulting from our use. Our last boat was owned in partnership with another fellow and we always found ourselves fighting about silly details – like finding half a tank of fuel or a nick on the stern.”

“I know what you mean – we’ve seen that with a boat next to a friend of ours’ and the two owners have been found shouting at each other over a deflated fender” said Morton. “I know one partnership that works because the boat is a catamaran and one family owns each hull, but usually things are not that well defined and the relationships eventually fall apart and the boats suffer!”

“That reminds me, maintenance is all taken care of. We are welcome to help out in areas of yacht care where we are competent, but if we want to be completely hands off, that is perfectly fine too” said Ted. “With my line of work, I need that flexibility – and the piece of mind to know that when I’m busy, someone is looking out for my investment”

“What is your line of work?” asked Janet.

“Ted and I fly helicopters” said Margaret. “We never know when a contract will come up and require us to work for 3 weeks straight lifting towers or something like that. We can lock in certain holidays, but when we aren’t ‘booked off, we could be completely

consumed by work and unable to check on our boat. This program really helps out in that regard.”

“Wow, we have similar challenges as our lines of work are seasonal and for parts of the year we work like crazy” said Janet. “Morton is an accountant and I work in transportation and specialize in perishable air freight – if it’s tax time or mushroom season – it’s pretty hard for us to see each other let alone our boat!”

“Speaking of accounting, I wonder if that program has any tax benefits?” asked Morton.

“There’s an accountant at work. Actually we asked that and they reminded us we’d save about 75% of the tax – we’re only buying 1/4 of the boat! Most operating costs come down the same way because of the shared ownership. They aren’t exactly 1/4 because there will be more engine hours and use, but it’s a phenomenal deal overall. We’re looking at a 1/4 of a brand new 49’ boat for less than we were going to spend on a used 32’ footer. The completely managed running costs are also less than the whole smaller boat, whereby we’d need to coordinate all the moorage, insurance and maintenance” explained Ted.

“This is starting to compute” said Morton.

“What I really like is the fact that everyone using the boat has an equal vested interest. They say ‘one fine yacht and 4 proud owners’ and that means a lot to us. You should talk to the One 4 folks – they might have what you are looking for.”

“I think that will be our next stop at this show” said Janet.

The Billsakes ended up buying 1/4 of a 49 footer a couple weeks later. Ted and Margaret, not knowing the last names of Morton and Janet, didn’t realize until they bumped into them almost 6 months later on the dock, that they each in fact owned **a fraction of the same yacht**. With that, it was off to dinner together, and while they each wondered if the other had left enough for a tip afterwards, the question of whether they were each paying their fair share of the yacht didn’t even come to mind!

This story is completely fictional except for the ideas come from real conversations we have had on the docks over the past few years. It was generated for the simple purpose of talking about the benefits of a managed yacht fraction through One 4 Yacht Fractions. No animals were harmed in the writing of this article. No accountants were harmed either, although we did take a couple petty stabs at accountants in general and for this we are sorry. We do however respect accountants and believe that they will truly respect the merits of the One 4 program.