

# Want the boat but haven't got all of the cash – then read on!!

So you are keen to get afloat but do not have all of the cash you need to buy your dream vessel? Well like most things in the world today – there is a solution! We have looked at these and summarise our findings below.

However let's step back a pace and look at the basic information you need to start the purchasing process.

- How much cash do you have available?
- How much alternative security do you have available like your house?
- Then when you have established this you need to consider the following:
- Where do you want to sail?
- How much sailing do you want to do each year?
- Could you share your boat with others?

Depending upon your answer then there are lots of options available to you.

### Conventional purchase

If you have the cash to buy the sort of boat you want then there is a deal to be done. If you are able to buy around a Boat Show then manufacturers and their brokers will be keen to offer you a competitive price to buy the boat of your dreams. Sometimes this will be cash discount or equipment in place of cash. Certainly having visited several shows recently there were deals being done where 5% discount was not uncommon, sometimes more for slow moving models.

If you are attracted by a new model then offering to make your boat available for demonstration to clients or to appear at a boat show will enable a greater discount to be available. If the manufacturer has a cancelled order or has spare stock boats then a very keen deal can be done as they will want to shift inventory.

Stay close to the manufacturer, with your cash available I am sure a deal will come your way that enables you to get the boat you want at a good price.

Obviously being a cash buyer is the ideal situation to be in as you are not reliant on third parties, like finance companies, to complete the deal. However there will be all sorts of ends to resolve: insurance, registration (if required), purchasing your own items for the boat etc.

### Financed Purchase

This is now a very common way of buying a boat. Its popularity is due principally to low interest rates meaning that the sums borrowed are at rates comparable with that for a mortgage and packages that fix the sum paid per month but vary the period of the agreement to accommodate interest rate changes. They are also attractive as, in most cases, the loan is secured on the boat purchased and not by taking security on a house or other asset.

One of the most popular providers is Bank of Scotland Marine Finance who will provide unsecured loans for up to £25,000. If a larger sum is required they expect the owner to provide at least 20% of the purchase price. New boats may be used as security for a loan up to 15 years with secondhand boats generally having a loan period up to 10 years. Loans for secondhand boats are dependant upon the age of the boat, the result of the pre-purchase survey and on its general condition and type.

Repayments are fixed throughout the period with the object of repayment during the period of the loan. However if payments are missed or interest rates increase then a final payment will be necessary to conclude the agreement. Interest is now calculated daily and lump sum payments may be made. The minimum repayment period is 6 months under which penalties for early repayment will apply.

Moorings 4300

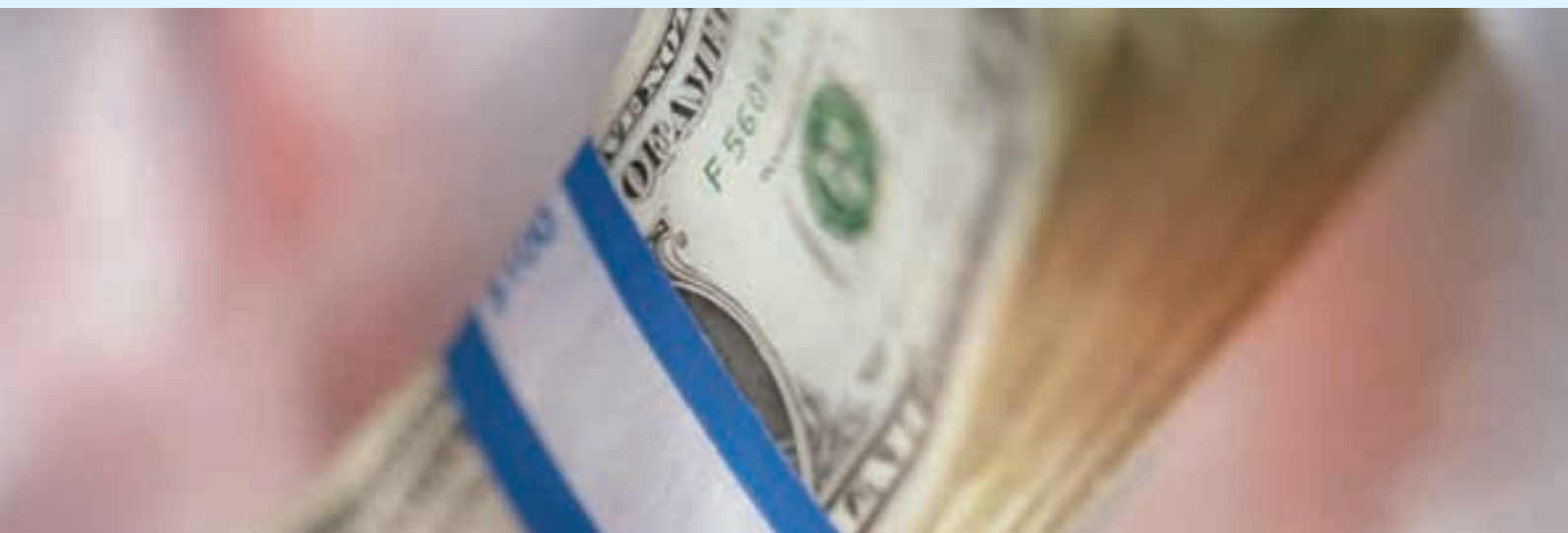
Boats based in UK do not need to be British Registered but if abroad then they must be – this costs approximately £700. There are limits on where the boat can go, if in Mediterranean waters the Bank are happy, further afield might be a problem only overcome by taking a charge on a less mobile asset, like a house, as security should the boat and its owner suddenly disappear. Owners must be UK citizens and have must have a fixed address in the UK. However as the UK market becomes mature these rules may well relax to enable the bank to fund more ambitious deals. Bank of Scotland is one of the more forward thinking marine finance companies. They have their equivalents in almost all sailing countries.

### Purchase through a charter company.

The Moorings produced their original ownership scheme 36 years ago and the principles of it are still in use today. They have available the Robertson & Caine built Moorings 4000, 4300 and 4600 catamarans within their programme.

Under this scheme the owner buys 100% of the boat and retains title throughout. They sign a separate agreement with the Moorings who manage the boat in charter for up to 5 years, pay all the maintenance and running costs and pay a fixed and guaranteed income each month. The agreement sets out clearly the obligations of each party to the other and the access the owner has to their boat. This is a maximum of 9 weeks a year. There is a reciprocal agreement whereby the owner may have use of an identical or similar boat in other Moorings locations for up to 7 of the 9 available weeks in the year.

Moorings generally find that if an owner pays cash for 65% of the boat and finances just 35%, the income earned will enable the finance to be repaid over the period of the charter agreement whilst still enabling up to 9 weeks of usage of the yacht or its equivalent. They also have the option to put down a 20% deposit (the minimum as required by the marine mortgage companies) and take the loan over 15 years, the guaranteed income received then covers the mortgage payments and there is usually enough equity left in the





Sunsail Lagoon 380



yacht to clear any outstanding mortgage if sold.

The simplicity of the agreement is an aspect of its success. Each party clearly knows where they stand and the income generated is significant. At the end of the 5 year charter agreement the boat is given a thorough refurbishment at Mooring's expense. The owner appoints a surveyor who acts as the owners' representative to ensure that anything other than reasonable wear and tear is corrected, at Mooring's expense, prior to handing back the boat to the owner.

The best indication of the success of the Mooring's Ownership scheme is the number of owners who go through it each year and the number who have repeated the experience.

A similar programme is offer as the Guaranteed Income programme through Sunsail which offers virtually identical benefits to the Moorings scheme but offers a guaranteed income for the period of the charter agreement – see Sunsail box below.

There are also many smaller companies that offer charter management. Their fleet is built by yachts they manage on behalf of their owners who will use their yachts and generate an income from the charter when they are not using them. Agreements are formal and usually for a 3 – 5 year period and use directly influences income received. There are no guarantees in these arrangements and the success of an agreement often depends on how successful the company is at marketing

the boats it manages and how good it is at maintaining them. However if an owner wishes to gain additional income from a yacht when it is not being used, and is prepared to accept the costs of compliance with legislation to ensure it is properly equipped and fit for purpose then this is a useful route to covering costs of depreciation as well as having the yacht professionally managed. Broadblue Charters is a good example of a company who successfully charter manage yachts on behalf of owners from their base in Turkey.

**The low cost charter management entry**  
In the Moorings and Sunsail Guaranteed Income scheme the owner has to make a substantial down payment on the boat. Sunsail have programmes that vary the amount of the initial down payment. These Sunsail Finance options can be used to purchase a Lagoon

380, 410 or 440 over 3.5 or 5.5 year agreements. The programmes are summarised in the table below.

Whatever the programme used to purchase the boat, the owner is entitled to '12 units of usage'. Each week of use costs between 2 and 6 units. A low season week is worth 2 unit and an ultra high week is worth 6 units. In addition an owner can take up to a further 4 weeks of short notice use each year.

If you agree to only use the yacht in 'off peak' periods you are able to earn additional income or reduce the purchase price further. Usage is on your own or an equivalent yacht anywhere within the Sunsail fleet which gives you the opportunity to sail in many of the world's most desirable locations and the only costs paid are the costs of travel and the costs of any additional extras on the holiday eg use of a

	% price paid	Income
Guaranteed income	Paid full price	Receive guaranteed monthly income irrespective of yacht charters.
Single payment	Pay 69% of purchase price for 3.5 yr or 63% for a 5 year charter agreement	No more to pay - no income either
20% down payment	20% down payment then monthly payments for 3.5 or 5.5 years to pay off the balance on the yacht.	All income goes towards paying off the cost of the boat which Sunsail guarantees to do irrespective of usage.

spinnaker. In addition you can also choose to upgrade to a larger yacht within the Sunsail fleet and all you pay is the difference in the charter fees. Interesting for those with families, the time afloat can be traded for time in a Sunsail Watersports Club, a Flotilla holiday and even an Inland Waterways holiday.

Like the Moorings yachts you have to have a standard specification. This is to ensure standardisation and continuity of maintenance across the charter fleets. However many models are available with different cabin layout options and the owner can take their preference. You can choose the name of the yacht and may be able to select its location, however Sunsail will always have the right to move the boat to an alternative location to suit their commercial needs.

At the end of your agreement Sunsail invite you to spend a week on your yacht (not costed against the units of use described above). This provides an opportunity to inspect your yacht, arrange a survey and agree with the base representative the work done to ensure the boats leaves the charter programme in good condition. The yacht will leave the programme in its current base. However provided the agreement has run to its term you have full ownership of the yacht so may sell it, possibly through Sunsail brokerage, trade it in to Sunsail, start a new charter agreement with a new yacht or simply sail away with full title to the yacht. Indeed there is a guaranteed buy-back option that may be exercised at the start of the agreement.

As the Sunsail programmes have developed over the years there are an increasing number of owners who repeat the programme. Once in the programme there is a wide choice of locations in which to sail and the units of usage model enables time afloat and income to be juggled to suit the owner's needs. The income return is good and from talking to owners in the programme they are happy to be part of the 'club'.

#### Fractional Ownership

Whilst the idea of having a yacht and having someone else manage it is attractive there is nothing like owning your own. However we all have dreams beyond our wallet and whilst we

may have wanted something 40ft+ we can only manage 30ft! A way around this is fractional ownership. There are many versions of this scheme and each has advantages and disadvantages.

The obvious advantage is that by combining with others you can buy a larger yacht than if you self funded the purchase. Generally title to the yacht is divided equally amongst those in the group so it there are 4 members each own a quarter of the yacht, have a quarter of the usage available and pick up a quarter of the running costs – insurance, maintenance, improvements etc. At the end of the agreement they would receive a quarter of the revenue from the yacht's sale.

Clearly the yacht gets more use and therefore probably more maintenance. Costs are shared so are proportionally less. However there is more wear and tear, standards of maintenance differ, all parties in the group may not agree on what to maintain, replace or repair. Disputes are sometimes hard to resolve as there is no clear leader in the group. However many yachts are owned this way in informal groups and it does work.

However if you cannot form your own group there are now many companies who helps to pull these groups together into syndicates who own yachts, managing the legal and financial affairs of the group, the yacht purchase and maintenance and resolving disputes should they arise. In short taking as much hassle out of the owner's hands allowing them to just get on and use the boat. This is managed fractional ownership and has clear advantages. Whilst four or six members may own the yacht the individual deals directly with the management company and, unless the group is particularly pro-active, delegate all responsibility to them. Importantly they bring together the individuals who make it possible and resolve any disputes that may occur including replacing members if the need arises.

Challenger Syndicateships put together groups of 4 – 6 owners to purchaser the Lagoon 410 and provide all management from their base in Mallorca. They have considerable experience of this form of ownership having initially structured schemes for ownership of canal boats using the inland waterways.

Synergy operates at the top end of the market bringing together a group of high net worth individuals who wish to own luxury yachts eg Privilege 495, Privilege 615, Privilege 715. Here they arrange everything from the purchase, commissioning, crew, delivery and berthing of the yacht in its desired location and manage the owners' use of the yacht including booking flights, special requests etc. The benefit of this is that these considerable assets are being well managed on a full time basis and are being used not just tied up at a dockside receiving lots of tender loving care but rarely seeing a new horizon.

For the busy individual these schemes are attractive – one phone call takes care of the holiday arrangements. If the boats is not booked out then one of the owners may step in and use it.

This enables a valuable asset to receive greater utilisation and is a convenient way of amortising the costs of ownership and pleasure through a group.

This form of fractional ownership is extending now to the ultimate ownership scheme; the Net Jets concept of group ownership. Here you buy a share in a Jet. It entitles you to use a Jet, from any base, for a certain amount of time. You book as you wish to use and pay for additional time bought. It means top class private travel at little more than Club Class prices. We are beginning to see the start of this in yachts and I am sure one of the charter companies will try to get this going. Soon.

#### Ownership Summary

There are now many ways of buying a yacht and getting afloat and we have explored these in this article. Charter management with one of the big companies, like Sunsail or Moorings (who as I write have just come under common ownership but will continue as separate entities) is attractive as you can sail in lots of different locations and turn up and sail relieved of the hassles of insurance, maintenance and even the resale of your yacht. However is it really your yacht? You never know who uses it and may only see it once a year. If you are happy to have a distant relationship with your yacht then fine this could be a great route.

The more tailored syndicate ownership packages mean that your have a real sense of ownership of your yacht but none of the hassle. You pay for the comfort but it does prevent the yacht lying unused for great chunks of time and does ensure maintenance, insurance, upgrading etc is taken care of professionally. If the syndicate manager is good disputes should not arise beyond being niggling issues and the ability to leave and have new members join is attractive if personal circumstances change.

The options of ownership are now so wide that it warrants careful investigation. As you can see, relatively modest means can be multiplied to allow a real sense of yacht ownership, with minimal hassle and with high levels of usage.

Oh well off to brave the cold now to go and check the de-humidifier on my yacht! Brrrr!

Privilege 585

Sunsail Lagoon 410

