

## Factors to consider when buying a vacation home

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(Special)&mdash;You've been kicking around the idea of buying a vacation home for quite a while now, perhaps a beach cottage or mountain cabin.

Vacation homes can be great escape, and may even be a source of financial profit, but it is crucial to know what you are getting into, states Christine Karpinski, author of *Profit from Your Vacation Home Dream* (Kaplan, 2005, ISBN: 1-4195069-1-9, \$19.95).

"No doubt about it: buying a vacation home, especially one you're going to rent out, means embarking on a whole new lifestyle," Karpinski says. "Read up on the subject so you'll know what to expect. Doing plenty of research and making an educated decision will keep your vacation home dream from turning into a nightmare."

Considering the following questions can help you decide if a vacation home is for you.

• Can I really afford a vacation home? According to Karpinski, you don't have to be wealthy to buy one. In the U.S., the typical second homeowner is sixty-one years old and has a household income of US\$76,900. However, even if your income is well above this threshold, the answer to the question depends entirely on your lifestyle, your other debts, your expectations, and your willingness to take a risk. Take a good hard look at all of these factors. Crunch the numbers. Be totally honest with yourself before you sign on the dotted line.

• Do I have time for a vacation home? Realize that you as the owner will have to spend a minimum of a few weekends a year putting everything in order. Do you have the time, money, and willingness to do that? If your family has two intense full-time jobs and a couple of small children, the answer might very well be no. Just be honest with yourself. If you're really committed to owning a vacation home, you probably can. If you're not certain that you're ready to spend your precious free time tending to it, you should probably reconsider.

• Do I want to buy this vacation home for personal use, for a long-term rental investment, or both? The answer to this question will drive many of the decisions you need to make. If you're buying solely for your own use &mdash; and you're sure you can afford that option&mdash;you can allow your heart to make most of your decisions for you. If you will need to rent out the home to defray costs and maybe even turn a profit, you'll have to think like a businessperson. In other words, no matter how much you love that mountain chalet in that rapidly developing ski resort area, if you aren't certain you can rent it out enough to break even, exercise caution.

• Am I willing to compromise? The four criteria people look for in a vacation home are price, size, location, and view. You are almost certainly going to have to compromise on at least one of them.

"Sure, you'd love a gorgeous, spacious, inexpensive home with a glorious view in a prime real estate location," says Karpinski. "Who wouldn't? But such properties don't exist in this universe! Your ideal vacation home may be a three-bedroom cottage on the beach, but when you see the price, you may absolutely have to compromise on view and choose the cottage across the street. If you're too set on finding the perfect situation, you might as well forget it."

• Should I rent by owner or use a property management company? Karpinski is a rent-by-owner advocate. She feels that management companies charge too much money. What's more, she adds, by renting your property out yourself, you can generate cash flow from your investment, maintain a feeling of control based on the fact that you choose which guests stay there, and make plenty of new friends. And as her books explain, once you learn the basics, renting by owner is less difficult and time-consuming than you might think.