

A brief introduction to Fractional Ownership Schemes

There are different types of Fractional Ownership Schemes that are used in a number of ways and for different purposes, but they all have one thing in common. They allow people to participate in the ownership and benefits of an asset (boat, motor-home, holiday home, racehorse etc.) that they may not be able to afford otherwise.

A Fractional Ownership Scheme is an ideal structure when purchasing an asset for occasional use. For example, an individual may only have the financial resources to purchase and maintain a 5m aluminium runabout. Alternatively, they could purchase a share in a 12m flybridge launch! The quality of their boating experience would be greatly enhanced, the only compromise being limited autonomy over the asset.

Most Fractional Ownership Schemes offer shares that can be bought and sold - either on the open market, or through the company that manages the Fractional Ownership Scheme - and all ongoing costs associated with ownership of the asset are shared equally amongst the shareholders.

When applied to real estate, a Fractional Ownership Scheme allows a number of people or entities to own shares in the property title, thereby offering shareholders the security of individual title ownership and the ability to offer the title share as security for mortgage purposes.

1/4 shares, (four shareholders), has proven to be an ideal number of owners for holiday or lifestyle property - each owner enjoys use of the property for one week (including the weekend) each month.

For longer periods, negotiation with other shareholders would be needed, and popular holiday dates are generally allotted on a rotation basis.

All shareholders working together in good faith, is the key to success with any Fractional Ownership Scheme.