

BLOG POST



# Good Reasons For *Owning A Vacation Rental*



## **Good Reasons for Owning Vacation Property**

You don't have to be a millionaire to own a vacation property. The average vacation property buyer in 2011 was 49 years old with an average household income of \$99,500.

Keep in mind that when you consider that many of the vacation homebuyers are wealthy, the average only being \$99.5k means that those with modest incomes purchased many of the properties.

Maybe you could own one, too. While second homes are not usually the best investments, they can be viable investments with some thought and consideration.

**Consider the following advantages and decide if it might be the right decision for you:**

1. **Appreciation.** If you purchase your property in the right location, you could experience significant appreciation over the years. *Right now is great time to get a great deal if you're in the financial position to take advantage of the current market.* It can really pay to study the market in the areas in which you're interested. A little research can go a long way.
  - Talk with a real estate agent and get the scoop on the area and the recent changes in property values. A good agent can be a great help.
2. **Potential Rental Income.** Properties in desirable locations can fetch a lot of rent. Consider if others would be likely to want to spend some time there while you're not. The average vacation property was purchased over 350 miles from the owner's principal residence.
  - If you're not going to be there a lot of the time, someone else might pay for the privilege by the week or month. Lots of people have condos in Florida that they rent out 11 months of the year. The owners get a free vacation spot for a month and actually make money in the end.
3. **Sense of Community.** If you return to the same vacation spot regularly, you become part of the community. You get to know your neighbors and the town. *It becomes like a second home,* rather than feeling like a stranger in a strange land.
4. **Tradition.** Some families are able to pass down vacation properties for generations. Imagine your children and grandchildren all using the property over the years. What a great thing to have in the family.
5. **Tax Advantages.** You can typically deduct all the interest on your vacation property; there are limits on this if you rent it out, though. If you ever need to sell the property, the \$500,000 profit exemption on the sale of a primary residence can be transferred to your second home. There are rules around this, too. *Be sure to speak to a tax expert.*
6. **Equity.** Some of us are great at paying our bills but lousy at saving money. If you pay a fair price for the property, it's a reasonable place to accrue savings.

***This is especially true if you can rent the place and let your renters pay the mortgage for you.*** The key is to buy in a good area at a good price.

***Vacation properties are not out of reach for those of modest income; they might even be a good investment.*** There are many non-financial advantages to owning a vacation property, and several financial advantages that can help to at least offset the cost.

A vacation home usually doesn't make sense from a purely financial standpoint, but all the other reasons can justify the decision. Remember that if you really want to see some financial benefits, you need a property that can be rented and is located in a desirable area.