



INTERNATIONAL CHARTER MANAGEMENT PROGRAMS

TWO BASIC PROGRAMS

Just about all major international charter companies offer variations on the same programs: the Guaranteed Income Program and the more traditional Yacht As A Business model. These are the basic offerings.

GUARANTEED INCOME CHARTER PROGRAM

If you are not interested in the tax benefits of charter yacht ownership and are looking at a long-term ownership experience and paying down the loan on the boat faster, the Guaranteed Income Program is the best option. This is a turnkey program, and you have the least amount of management involvement. This is offered by larger charter companies who represent specific brands they offer for placement in their fleet.

PROGRAM STRUCTURE:

FINANCIAL:

You will be financing the boat with a specialized lender who does charter yachts. Financing is a bit higher than for private ownership. You must qualify for financing. We work with these specialized lenders who have programs and will work to get you the best available rates.

You will be required to put a minimum of a 20% deposit on the purchase price of the yacht. The bank provides the balance of the payment. You should check with your tax accountant whether you can deduct the loan interest as there are limitations for second home deductions.

YACHT EXPENSES:

You will be responsible for the mortgage payment on the yacht and the charter company will pay for all the other general operating expenses including insurance, dockage, and maintenance. You will have no other costs while in the program besides the loan payment.

INCOME GUARANTEE:

Most programs average about 9% income annually based on the yacht's initial purchase price. In most cases, this should cover the cost of the boat payment so you are basically covered and operating at a neutral cash position while in the program.

MAINTENANCE:

The maintenance of the yacht is the total responsibility of the charter company for the duration of the program. This is a big investment, and you will want to be part of the maintenance process by checking on the schedules and making sure routine maintenance is being handled. When you visit your yacht spend time inspecting and thoroughly checking your boat. Provide the maintenance manager with a list of all items that need repair or attention and follow up make sure they have been completed.

YACHT AS A BUSINESS PROGRAM

This program allows you to take full tax advantage of your boat in the management program. There are some restrictions to the Section 179 so discuss this with your tax advisor or we can set you up with ours for a review.

INCOME:

You will share the revenue with the charter company and this will be outlined in your agreement. Study this all up front. This split varies from 65% to 80% to the owner depending upon the booking fees and agencies involved. You will receive the charter revenue after booking commissions and be billed for all services including insurance, cleaning, regular maintenance and repairs. You can expect about 12% annual revenue based on the purchase price of the yachts.

You will be actively managing the program so your involvement will be significantly higher than the Guaranteed Income Program.

While this program yields the owner more income, it requires a lot more personal involvement. The financing will require the same down payment and approval process, and the banks do not take charter revenue into consideration during the approval process.

Depending on the type and size of boat, the configuration and location, this program can result in about 30% higher income than the guaranteed program.

EXPENSES:

You should have a clear understanding of the costs that will be billed to you and how they will be billed. Ask about variable and fixed expenses, hourly rates, insurance, moorage, electricity costs, turn around costs, and all expenses you will be responsible to pay.

You should be able to receive a proforma outlining all these costs and income. Since you are actively involved in the management and operation of your yacht, it should be better maintained and in better condition over time. This will increase your resale value

FOR BOTH PROGRAMS:

PROGRAM TERM:

The management company we work with typically offers a term of up to 7 years. You can take the boat out at any time and at the end of the 7 years have the options to renew for up to another 3 years. This is an important consideration when shopping companies or comparing programs and why we choose our partners as the financials for your exit strategy are important.

YACHT CONDITION AT THE END OF THE PROGRAM

GUARANTEED INCOME PROGRAM:

Make sure your management agreement stipulated that the boat is returned to you in good working order (this excludes normal wear and tear). The condition of your yacht will greatly affect resale value.

YACHT AS A BUSINESS PROGRAM:

Because you have been managing the maintenance on your yacht and it was being done regularly and diligently, the yacht should be in good condition. If you ran your business as it should have been, any and all regular maintenance or repairs should have been. Your yacht should be in sale ready condition.

VACATION EXCHANGES:

Every charter company offers vacation exchange privileges so you can use similar boats at any of the company's charter bases worldwide. There may be incidental fees to exchange boats like cleaning, fueling, etc., so make sure you understand the fee structure for exchanges. Depending upon the program you choose has a bearing on how many vacation days you are offered in the program. Be sure to know your options.

LOCATIONS WORLDWIDE

Greece
Croatia
Spain
Thailand
BVI
USVI
Seychelles
Bahamas
San Francisco

