

the truth about TIMESHARES

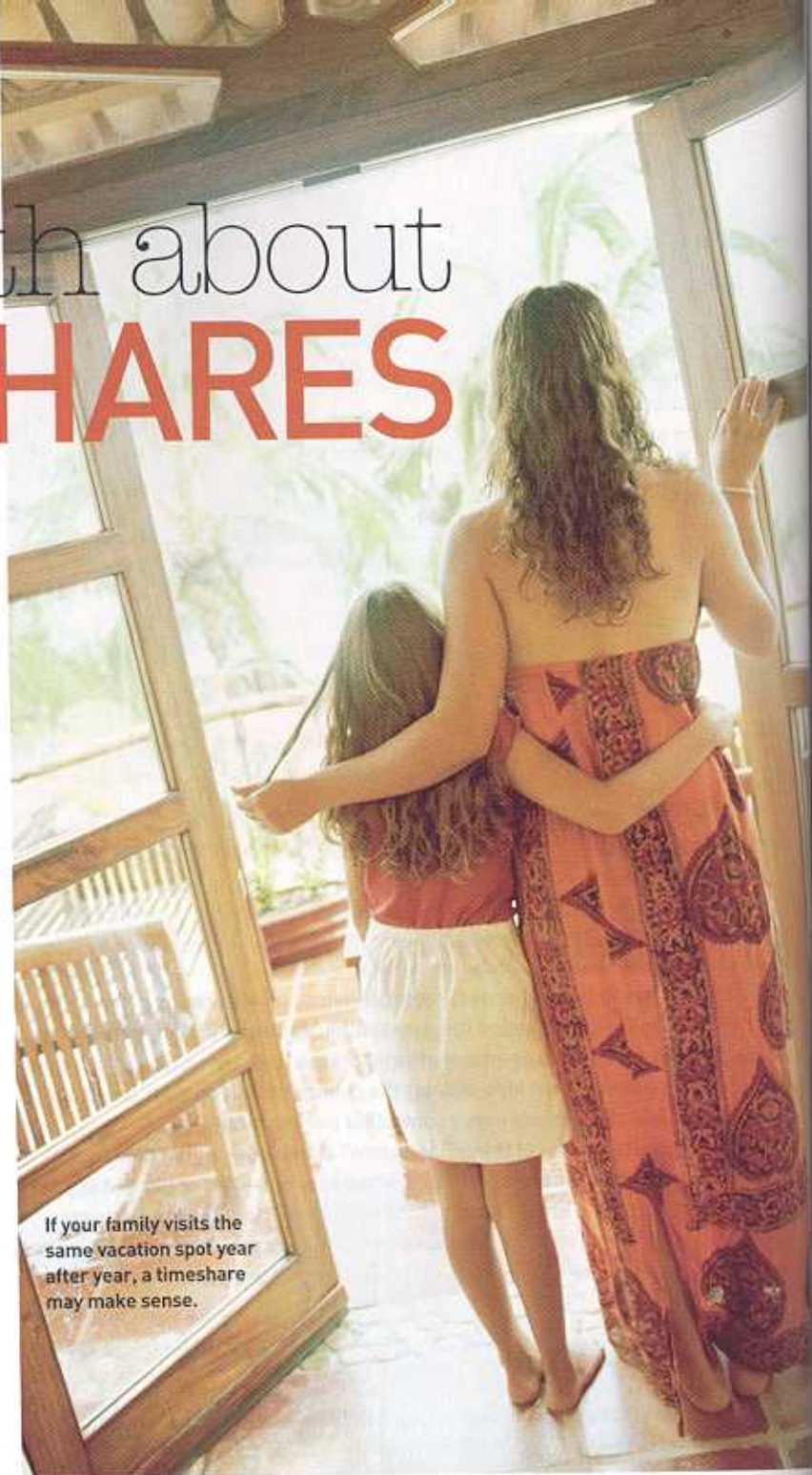
DEAL OF THE CENTURY
OR SEASONAL SCAM?
YOUR NEED-TO-KNOW
GUIDE TO THE POPULAR
VACATION OPTION.

BY PEG ROSEN

Surely you've heard of timeshares; you probably even know someone who has one. But have you ever wondered what the hype is all about, or why so many people—currently 4.1 million American households, according to the American Resort Development Association—have bought into the idea? The concept is simple: Timesharers split the ownership of a vacation home—usually a condo-style apartment—with other owners. Each of them has use of the property for a specified amount of time each year (usually a week). The benefit: You can own a fraction of a vacation home for a fraction of the cost of full, year-round ownership.

Since gaining popularity in the 1960s, tales of high-pressure sales tactics, fake properties and other scams quickly tarnished the industry's image. Even now, mentioning the word "timeshare" to many financial experts, accountants and consumer advocates can raise eyebrows.

So why has the number of U.S. timeshare owners more than doubled over the past decade? Government regulation has provided better consumer protection. And trusted, big-name brands like Disney, Marriott and Hyatt have entered the market. New twists like point



If your family visits the same vacation spot year after year, a timeshare may make sense.

programs—which allow vacationers to cash in "points" for a range of accommodations and travel services—provide more flexibility than before. And a growing number of urban timeshare properties now offer prime digs in the heart of some of the world's greatest and most interesting cities.

So should you consider buying a timeshare? "It depends on what you're looking for," says Bill Rogers, founder of the Timeshare User's Group website, tug2.net, which reviews and rates timeshare resorts and provides information. "No matter what, educate yourself before—not after—you buy."

IS A TIMESHARE RIGHT FOR YOU? Owning a timeshare may make sense if:

You want more space. Typically featuring one or more bedrooms, a living area and a kitchen, timeshares can be a good option for families who are tired of cramming into a small hotel room or renting multiple rooms, says Stephen J. Nelson, a timeshare owner as well as a writer

and adviser for the Timeshare User's Group website (tug2.net).

You have a predictable vacation schedule. Timesharing generally requires that you commit far in advance to a specific vacation week, and you must take that week, regardless of last-minute meetings

or surprise tristate track meets.

You need an extra incentive to make vacation plans. The upfront financial commitment helps motivate you to use those hard-earned vacation days, says Nelson.

You take the same trip at the same time every year. Whether you ski at Vail during President's Week or bask on Cape Cod's beaches each summer, a fixed week share means you always have a place to stay.

your timeshare options

● **DEEDED PROPERTIES** You own a fraction (usually $\frac{1}{52}$ or one week's worth) of a specific unit. Eventually the developer will sell all the building units to timesharers, who then own and manage the resort property collectively. Owners can sell, give away or pass on their timeshares.

● **RIGHT-TO-USE AGREEMENTS** This arrangement is common outside the United States because some governments make it difficult for foreigners to own real estate. Timesharers purchase the "right to use" a week in a unit for a certain period of time, say 10 years. When that period expires, rights revert back to the developer or to whomever he sold it.

● **MULTIRESORT PROGRAMS OR VACATION CLUBS** Vacationers pay an initial membership fee as well as annual dues to stay at resorts in a club's portfolio. Club operators like Disney and Marriott use points programs to allot privileges to members based on the level of membership purchased. The points can either be used each year or accrued over time (which can give people with lower-valued memberships added buying power and better access to high-end properties and prime vacation times).

other need-to-know terms

FIXED WEEK VS. FLOATING WEEK Buy a "fixed week" to guarantee the same week year after year. "Floating weeks" allow owners to choose a different week each year (usually within a given season). While floating weeks offer more flexibility and are generally less expensive, getting the week you want isn't a sure bet and requires submitting your request far in advance.

EXTERNAL EXCHANGES One of the major allures of timesharing is the ability to swap a week at one's "home" resort for a week at a property abroad. Most often this is done with the help of an exchange company, such as Resort Condominiums International or Interval International, both of which charge fees (about \$99 for yearly membership dues, and between \$140 and \$200 for each exchange). Keep in mind: Getting the week you want, where you want it, takes advance planning (sometimes as much as two years). Your exchange power also depends upon the desirability of the timeshare you actually own; your place may not be "equal" to the high-end units that tempt you from glossy exchange brochures.

QUESTIONS TO ASK BEFORE YOU BUY

- 1) What's the history of a resort's maintenance fees?
- 2) How far in advance can I (or must I) make reservations?
- 3) Is there a charge for renting out my unit to another party?
- 4) Are there any outstanding legal claims against the resort property?
- 5) In case of extreme weather damage, what insurance is in place, and is there enough money in the accounts to cover the deductible?
- 6) Is it in the contract? (Salespeople can promise you the world, but don't count on anything if it isn't in writing.)
- 7) Are assessments planned?

How much does a timeshare cost?

The average purchase price of a timeshare in the United States is approximately \$16,000. Yearly costs include:

- Maintenance fee **\$470**
- Exchange Transaction Fee (if used) **\$140-\$200**
- Exchange company yearly membership **\$99**
- Taxes **\$80**



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need-to-knows

You're investing in a lifestyle, not real estate. Timeshares are notoriously difficult to resell, so don't count on making a profit later on. Proponents of timeshares say they are for dedicated vacationers who intend to use what they've paid for over and over again—or who enjoy the game of exchanging their space for other properties around the globe (if their club permits it).

"Forever" can be a liability. A lifetime of vacations can sound like an appealing concept. But yearly fees can become a serious burden if you no longer want to use your timeshare yet are unable to resell it.

Upkeep is important. A resort may be in good shape when it's new, but there's no guarantee it will stay that way once all of the units are sold. Deeded owners have some control since they eventually own the property collectively, but it's tough for virtual strangers to agree upon standards. Right-to-Use timesharers and vacation club members have even less recourse—since the owner can sell properties at will.

Buying from a developer isn't your only (or smartest) option. Some developers conduct extravagant sales campaigns and offer flashy prize giveaways to lure potential buyers. Accept the freebie—and sit through the requisite sales presentations—if you must. But before you buy, investigate the resale market, where inventory is enormous and many owners are eager to unload their timeshares. This is why timeshares are sometimes a risky investment: The market is bad if you're selling, but good if you're

buying. "There are so many nice properties being resold by owners for as little as 10 cents on the dollar of their initial purchase price," says Nelson.

more resources

tug2.net and timeshareforums.com: Independently run timeshare users' groups offer buying basics and in-depth reviews of individual properties.

arda.org: The American Resort Development Association provides industry information to potential and current timeshare owners (with a pro-developer bent).

ftc.gov: The U.S. Federal Trade Commission gives the cons of buying and reselling timeshares (search: Time and Time Again) as well as information about where to file complaints. Its database (search: timeshares) catalogs numerous cases against timeshare companies.

Billboard Listing Sites: Find resales or rentals on tug2.net, ebay.com, redweek.com and myresortnetwork.com.

Disney Vacation Club in Vero Beach, Florida.



MAJOR RESORT CLUB COMPANIES

Hyatt Vacation Club hyatt.com;
800-GO-HYATT

Marriott Vacation Club marriott-timeshare.com; 800-332-1333

Disney Vacation Club
dvc.disney.go.com; 800-500-3990

Hilton Grand Vacations Club
hiltongrandvacations.com;
800-230-7068

Starwood Vacation Ownership
starwoodvacationownership.com;
800-601-8699

Club Intrawest clubintrawest.com;
800-649-9243