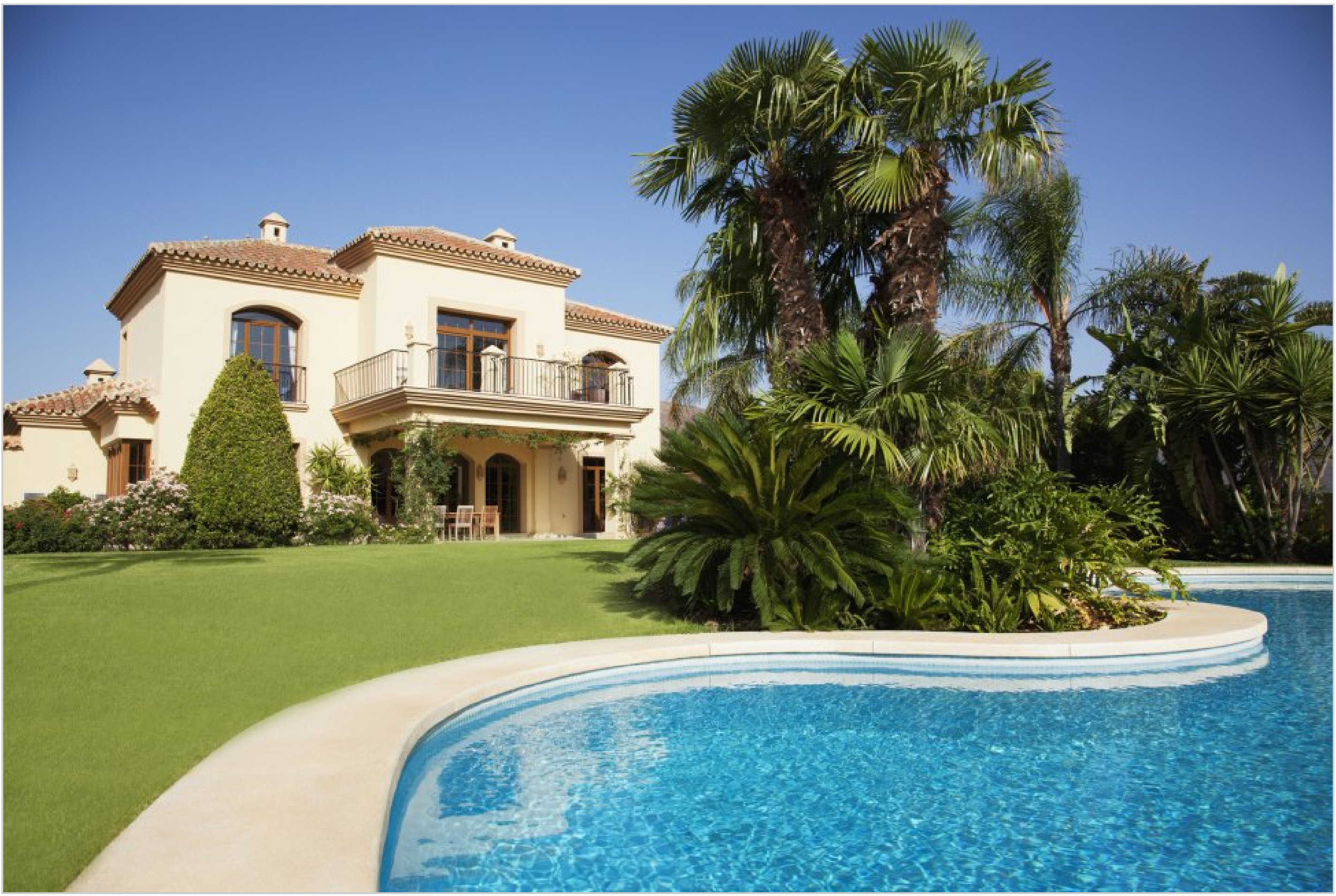
U.S.News & WORLD REPORT MONEY

What You Need to Know About Buying a Timeshare

Know the potential financial risks and associated fees before you commit.

By **Geoff Williams**, Contributor July 20, 2018



According to a recent report, the average sales price per interval for a timeshare was $22,180. (GETTY IMAGES)

Timeshares – vacation properties that are owned by numerous people and available for a specific time frame each year – have long been saddled with a bad reputation due to unscrupulous companies in the industry. But with the timeshare market seeing eight consecutive years of growth, according to 2018 survey findings released by the American Resort Development Association, you may be wondering if becoming an owner is a smart idea.

The answer depends on what you're looking for. After all, timeshares have plenty of pros and cons. While often considered an investment, timeshares generally do not yield a high value and are most beneficial for those looking to vacation in the same place year after year. Before becoming an owner, you'll also want to factor in associated fees in the decision-making process.

So, if you've ever thought of buying a timeshare, here's what to consider.

[Read: The Guide to Buying a Home.]

Familiarize yourself with different types of timeshares. Not all timeshares are alike. Some offer a fixed amount of time to stay at a property, such as a certain week every year. Others operate on a floating timeline, where you can reserve the property for any designated time in the year. But there is a caveat with timeshares on a floating timeline: You still may have trouble getting that reservation if you're competing with other timeshare holders.

Another type of timeshare is a right-to-use timeshare, where the property is yours to use for numerous years, but you don't actually own the timeshare, so you can't sell it. But since timeshares can be hard to resell, you may see investing in a membership and lease as a benefit.

Alternatively, you may be interested in getting a timeshare that is points based. Here's how they work: You'll accumulate points by staying with a travel-related company, like a resort, or you'll buy points, but there can be benefits, too. For example, if you're investing in a timeshare network, one with properties around the globe, you aren't always going to the same vacation spot year after year.

Understand the cost. According to ARDA's 2018 State of the Vacation Timeshare Industry report, the average sales price per interval for a timeshare was $22,180. The industry commonly refers to the sales price as per interval, since the buyer is staying at the property every year, or sometimes several times a year, for a certain period of time. So, with a typical timeshare, you may pay around $22,000 upfront in a lump sum for a beachfront property or mountain cabin that you can visit for a week every year. While it may seem like a poor value to spend $22,180 for a one-week vacation, keep in mind that with a timeshare, you can visit the property every year for the rest of your life, unless you decide to sell your timeshare.

Think of it this way: After 10 years, you can average around $2,218 a week for your vacations; after 20 years, you can average around $1,109 for your weekly vacations. The upfront cost may be high, but the longer you hold onto your timeshare, the more value you'll get out of it.

Factor in other fees. Remember, there are timeshare costs to consider, and likely maintenance fees. The average annual maintenance fee is $980, according to ARDA. And depending on where your timeshare is located, and if it's part of a timeshare resort, you may have a transfer fee, a recording fee and, if there are major repairs required, you could be given an assessment fee, which could tally up to thousands of dollars. You also may pay property taxes. In short, read the contract carefully and understand what you're getting into before you commit to buying a timeshare.

"The resorts are often very nice, but the contracts may not be so favorable," says Gordon Newton, the author of "The Consumer's Guide to Timeshare Exit," who runs Newton Group Transfers, a Grand Rapids, Michigan-based company that specializes in helping people get out of their timeshare contracts.

[Read: How to Budget for Your Kids' Summer Vacation.]

You'll always want to factor in the travel expense of getting to your timeshare. If your timeshare is far away, that may mean high airfare or gas prices. If in the future you decide not to go to your timeshare property, perhaps to save on expensive plane tickets and driving costs, you won't get use out of your timeshare and you'll waste money.

Stick with reputable brands. Be wary of common timeshare scams. Victims often buy timeshares from companies and then learn that the property isn't what was advertised (or there is no property). Fraudsters also dupe timeshare owners by promising to buy their timeshare, or help them sell it. It can be hard to distinguish between the good and the bad actors, so you'll need to scrutinize the companies you're working with. Avoid falling prey to scam artists by reading online reviews, seeking out referrals and vetting companies thoroughly.

Think of a timeshare as an investment in your future. Consider a timeshare to be a way to save on your vacations in the long run.

"While some resorts prove to be a smarter buy than others, like Disney or Hilton for instance, most have zero resale value," says Brandon Reed, CEO of Timeshare Exit Team, headquartered in Lynnwood, Washington. His company specializes in helping people get rid of timeshare contracts.

"As a general rule, timeshares should not be considered a long-term investment but rather a prepaid vacation plan," he says.

While investing in timeshares can be a risky proposition, they're not always a bad idea. If you plan to use the timeshare each year, it can yield a high value over time. The catch: Preplanning your vacations for years to come doesn't always work out.

Usually, unhappy owners become dissatisfied "due to circumstances out of their control. Maybe they've gone through a divorce or lost a spouse, or their kids have grown up and they just don't travel like they used to," Reed says.

You also might underestimate the costs. "Maybe their property's annual maintenance fee has increased so much that they can't keep up with the payments, which happens all the time, even in cases where owners have paid off their timeshare mortgage," Reed says.

[Read: How to Avoid Financial Scams.]

So if you're interested in a timeshare, first carefully consider the perks, drawbacks and costs to assess if owning one will be a financial headache or help you curb travel expenses each year.

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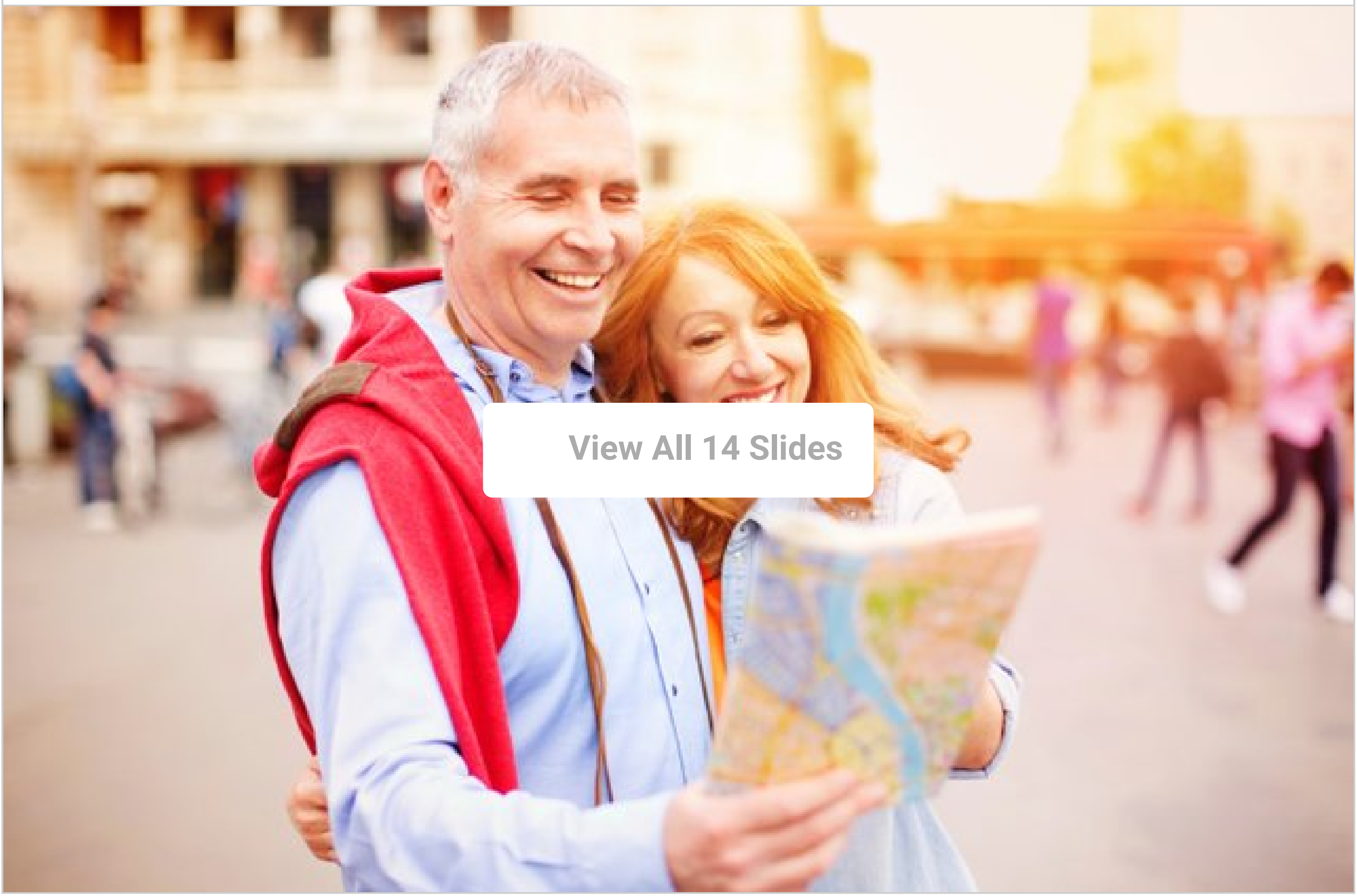

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Geoff Williams, Contributor

Geoff Williams has been a contributor to U.S. News and World Report since 2013, writing about a... **READ MORE »**

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