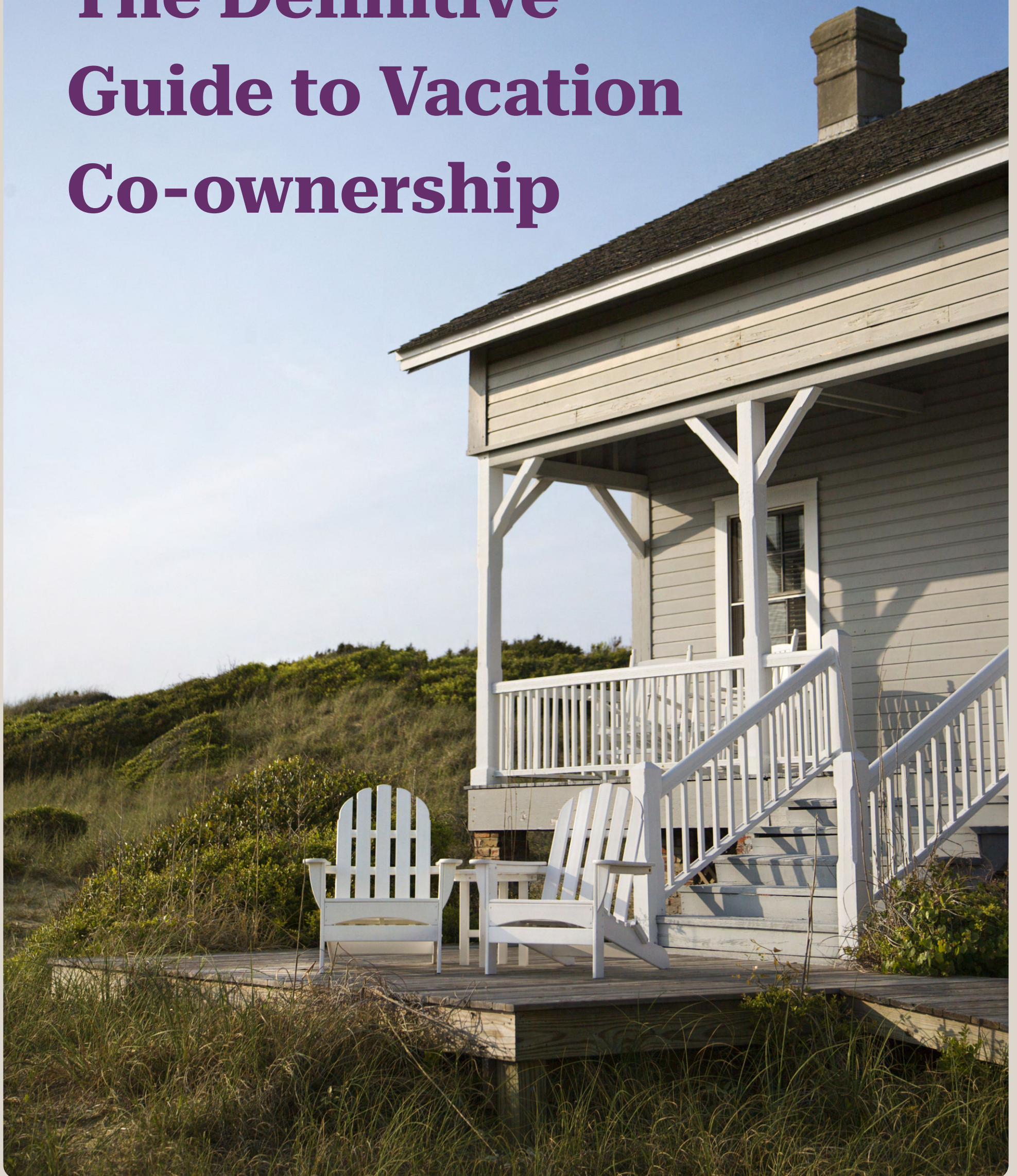




# The Definitive Guide to Vacation Co-ownership







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## A Revolution in Equity Ownership Has Begun!

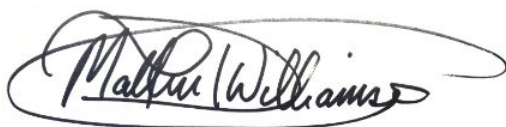
The sharing economy has brought about a tremendous democratization of equity ownership. New titans such as Airbnb, Uber, and Lyft have ushered in a new era, using technology and process to unlock trust and open the door to new commercial arrangements. Using these methodologies, one can share their house or their car with high confidence that the users will be safe to interact with and that there will be commercial benefit to the owner.

This mode of the sharing economy, however, is probably better characterized as the “renting economy” because it is empowering those who own assets to rent them out to those who do not. It’s not actually sharing, in the real sense, because the ownership of the house or the car remains with the single owner who is listing the asset.

The inevitable march of progress is leading us to the next paradigm in the sharing economy, which is co-ownership. Using the same principles of technology, process, and design to build trust, innovative companies are seizing on the opportunity to truly revolutionize ownership by making it possible for people to own property together, gracefully. Over time, this revolution will extend to all expensive, underutilized assets, from houses to planes, from farm equipment to yachts, and from vehicles to tools.

Here at Plum, we’re excited to be leading the charge into co-ownership of vacation houses. Our vision is a world in which everyone can own anything through the power of co-ownership, and we’re starting with that most aspirational and sentimental form of real property, the vacation home.

Yours in fair and equitable co-ownership,

A handwritten signature in black ink, reading "Matt Williamson".

Matt Williamson  
CEO and Founder  
Plum CoOwnership, Inc.



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# The Benefits of Co-Ownership

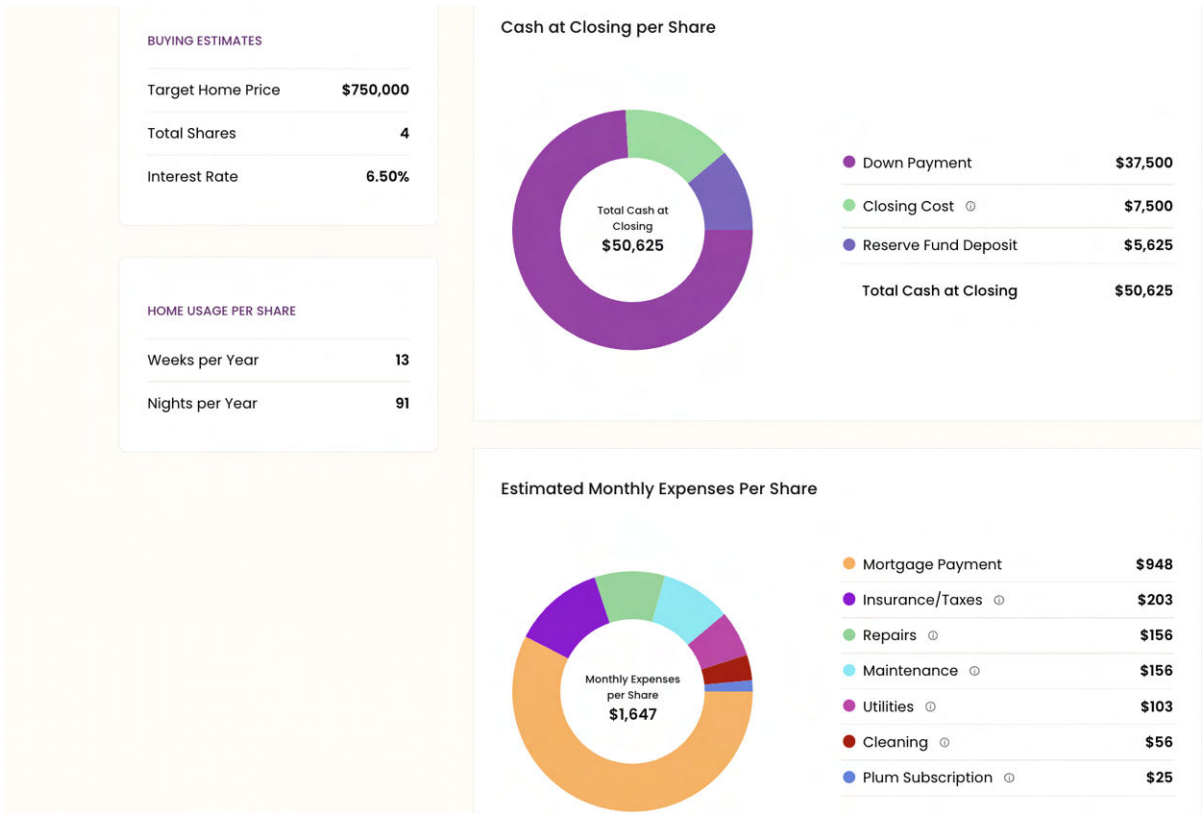
Vacation home ownership is a big undertaking, which is why a strength-in-numbers approach can be beneficial to all involved. The numerous benefits involved in co-ownership range from financial to social.

## Better Houses, Better Locations

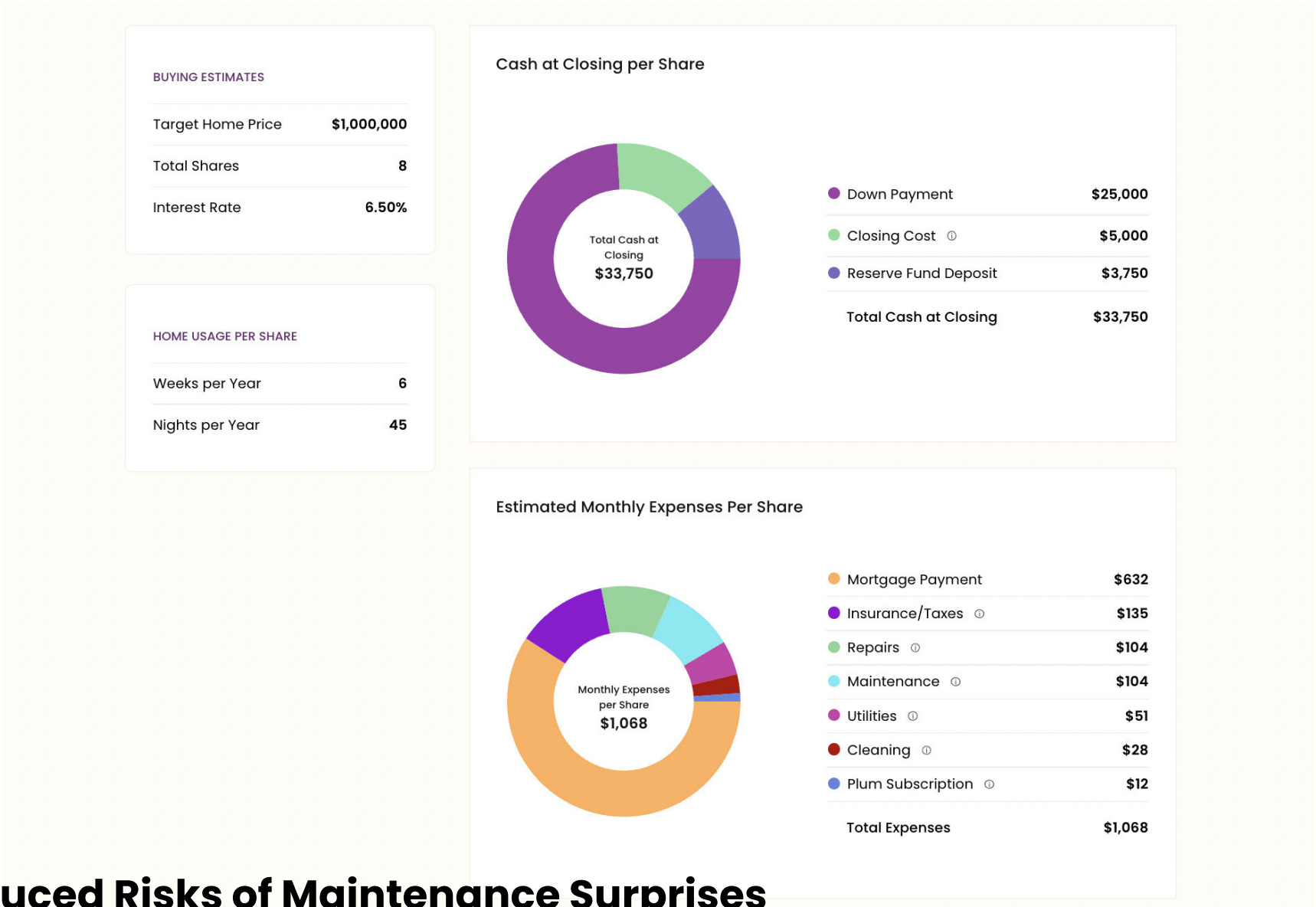
One of the most exciting benefits of co-ownership is that people can often dramatically increase the attractiveness and quality of the vacation homes that they can afford by banding together. If you can afford a \$500,000 beach house going it alone, you'll likely be buying a smaller, older home, and probably pretty far from desirable waterfront locations. If you can share a \$1,000,000 home among 4 owners, not only will you spend less per owner, but you'll find much nicer, much larger properties, and in more attractive locales.

## Lower Upfront and Ongoing Costs

The obvious financial benefits of co-owning property often take on a new light when discussing specific numbers. People often remark, "I had no idea that this could be so affordable." Here are a couple of examples generated by using Plum's [Co-ownership Calculator](#).







## Reduced Risks of Maintenance Surprises

The reality of owning a home is that things happen. Termites damage the deck. The retaining wall crumbles into the lake. The good news is that you’re not alone in co-ownership. No one relishes the idea of having to pay \$5,000 for their share of a new roof, but it’s significantly more attractive than paying \$25,000 if you owned the home alone.

## Many Hands Make Light Work

Keeping up a house is easier when there are multiple co-owners to share the load. One member might take on replacing the air filters every few months, while another might stay on top of checking appliances when they visit. While many groups choose to outsource big projects, many co-owners see the opportunity to build a deck together or clean up the yard as a social bonding moment in addition to a financially smart alternative to hiring the pros.



*The mountains call to me, and the idea of spending time with close friends in that setting is attractive.*

*– Sue Mathias*



# A Brief Overview of Shared Ownership Models



## Cooperatives (“Co-ops”)

These are most popular in New York City. As much as 75% of the apartments available in NYC are managed in this mode of shared equity ownership.

When you buy a co-op, you are technically buying shares in a corporation that owns the building. Each owner is granted the right to occupy a specific apartment (known as a “proprietary lease”). These go hand in hand... you get shares in the company and the right to live in the specific unit that you “bought.”

Co-ops are democratically managed, meaning that the residents make the decisions about membership and maintenance.

## Co-Living

This form of shared ownership is rising in popularity and features the best aspects of communal living (community, shared maintenance) with the benefits of individual ownership of specific units. Some co-living arrangements are similar to dormitories, with individual living spaces built around communal spaces like kitchens and patios. Other co-living arrangements are free standing units, often of smaller size, built around a central community building that has a big kitchen, dining area, and communal meeting area.

A unique feature of co-living is that there is a strong ethic around shared work and consensus decision making (versus the co-op model, which is democratic in nature, but which can be intense as voting usually means that there are winners and losers).



## Timeshares

There are over 200,000 timeshare units in the United States, across over 1,500 resorts, owned by over 9 million customers. At over \$8 billion dollars a year, this industry is as large as the music industry or Major League Baseball. While timeshares are attractive, they have a bit of a tough reputation for three reasons.



First, consumers often confuse the “ownership” of the right to use time at these resorts with actual “real property” ownership. Second, the promise of the resale value of timeshare units rarely pans out to what one hears during the sales pitch, souring the experience for many timeshare owners. Finally, timeshare owners are often competing for preferred time slots with all other timeshare owners, often resulting in frustration and poor utilization rates. We’ve all had the experience of the full court press on the sales side of this ownership model, and it’s not pleasant.

## Fractional Ownership

This model is similar to timeshare in that these are resort-based properties with numerous units, but unlike timeshare, the customers in this model own shares in the company that own the properties. Like co-ops, you are getting a package deal: you own shares in the company, and the right to use a certain amount of time on the properties. The belief is that the value of the real estate will go up, and thus the value of your shares will go up. A unique feature of many fractional ownership models is that the property is “term limited,” meaning that there is a defined end date at which point the management company will sell the property and if there are proceeds, distribute the profits to the owners.



## Co-ownership

Co-ownership is not a new phenomenon, and there are over 2 million co-owned houses in the United States today. These ownership arrangements are typically focused on single residences (versus big multi-unit properties) and have a much smaller number of owners. Generally, these small ownership groups use either a Tenants in Common structure, in which case each owner is said to own “real property,” or an LLC structure in which case the owners own shares in the Limited Liability Corporation that owns the house. The latter model is popular because it provides liability protection to the owners.

Plum CoOwnership is a platform for this mode of ownership, incorporating best practices from this model and building technology around the process.



**Plum envisions a world in which everyone can own anything through the power of co-ownership.**



## Write the Decisions Down

It's critical that the decisions that are made during this process get committed to paper, typically in an operating agreement or code of conduct. Documenting the decisions reduces conflict and creates a baseline for the group to come back to when questions arise.

## Know Your Numbers

Nobody likes financial surprises, so it's important to take some time to build a financial model.

You should take into account:

- Upfront price
- Interest rates
- Rental income (if you're going to rent)
- Reserve fund (see below)
- Commissions and closing costs



## Set up a Joint Bank Account

Fully 100% of the groups we interviewed owned a joint bank account to handle bills and other financial transactions that the co-ownership group experienced. In this day and age of online access, the very best scenario is one in which all members can "see" all statements and transactions, but only designated members can move money.

## Create a Maintenance Schedule and Assign Tasks

The old adage applies here: "If it's everyone's job then it is no one's." It's the same reason that the kitchen sink at the office is always such a mess. To avoid this, and to extend the longevity of the house, create a schedule of all tasks that need to be done and assign them to various co-owners. You can often find home maintenance how-to books online or at your local library.

## Set a Term Limit

Nothing gold can stay. We found that when groups set up co-ownership with no sense of how long the commitment is, it often caused tension because it upsets the apple cart for those who are staying in the house when a co-owner wants to leave.







## Create a Fair Use Schedule

There are several ways to allocate the weeks amongst the various owners of the house. The two most common methods are the draft method and a random rotation.

### DRAFT METHOD

In this mode, everyone draws a number out of a hat. Whoever pulls the best number gets to choose their preferred week first. Then the next person does, and so on, until all of the weeks are assigned. This gives the group some control over which weeks they receive, but keeps it fair. The downside of this method is that it requires a fair amount of time and communication to run this process every year.

### RANDOMIZED ROTATION

This is an easier method of distributing the weeks fairly. Again, it starts with drawing numbers out of a hat. Number one gets week one. Number two gets week two. Number three gets week three. Then number one gets week four, and so on. You just run the rotation until all the weeks are spoken for. To keep it fair, you just offset the schedule by one week in the following year. This is what it looks like:

	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6
Year 1	Owner #1	Owner #2	Owner #3	Owner #1	Owner #2	Owner #3
Year 2	Owner #3	Owner #1	Owner #2	Owner #3	Owner #1	Owner #2
Year 3	Owner #2	Owner #3	Owner #1	Owner #2	Owner #3	Owner #1

## Create a Home Binder to Centralize Information

The highest functioning co-ownership groups centralized all information in a home binder. It was even better when that binder was online and accessible by all members at the click of a button.

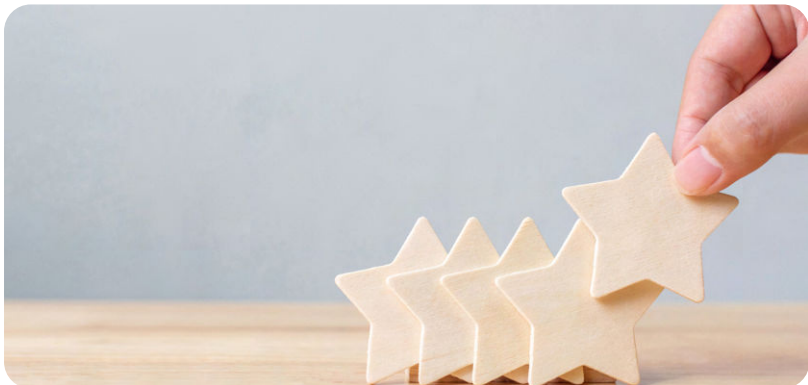
### Key items to capture:

- Contact information
- Co-owners
- Neighbors
- Vendors
- Wifi password
- House rules
- Instructions
- Local attractions





# Group Decision Making



Plum CoOwnership, Inc. has interviewed scores of co-owners, investing hundreds of hours in understanding what makes co-ownership go well (and as importantly, when it falls apart). Here are some key learnings from those interviews.

## Anticipate Future Situations and Come to Agreement as a Group

There are about 25–30 key decisions that co-owners should make prior to looking at houses. Everything from the pet policy, to whether or not the co-owners will rent unused nights, to usage by underaged guests needs to be considered. It's critical to think through all of the various scenarios, including what to do if someone needs to leave the co-ownership, what happens from an inheritance perspective when someone passes away, and what to do in the event that someone defaults on their share. The most successful co-ownership groups we interviewed thought hard about what could possibly happen and came to agreement about what to do in those situations.



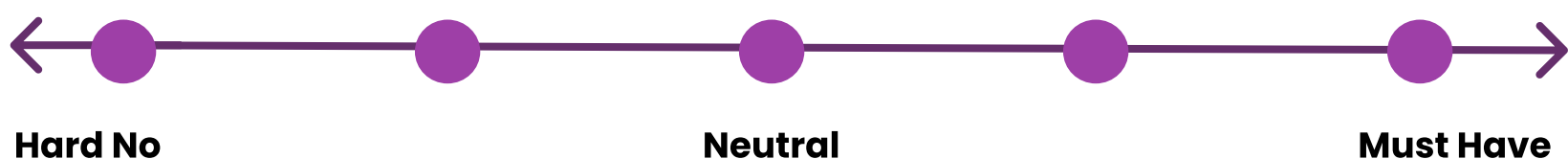
## Put the Group First

Like any relationship, putting the other person (or people) first dramatically increases harmony. As you engage in discussion, start by listening. Be curious about why other people have interest in certain things, even if you don't.

This signaling will foster collaboration and a good sense of give and take.

## Pick Your Battles

The reality is that not every issue is critically important, but if you treat every issue as such, it'll lead to inevitable conflict. We teach our customers to rate their preferences and desires for amenities on a 5-point scale from "hard no" to "must have."



For example, the passionate dog owner is a "5" on dogs at the vacation property. The allergy sufferer is a "1" on dogs. These two should sort out an agreement before going any further. One possible solution is that the dog stays in the garage when the family visits the property. If they can agree on this and capture it in writing, then everyone is happy.



# Group Decision Making



The very best and happiest of groups did a great job of making decisions together. They spoke plainly about their perspectives and worked together to make decisions that everyone could live with.

## Aim for Consensus

Consensus decision making will result in the happiest experiences. In our interviews, we observed co-living groups using this model to great effect. It goes like this:

### STATE THE PROPOSED DECISION CLEARLY

Groups tend to meander in their discussions. Clearly state the proposed decision and stay focused on it.

### GREEN, YELLOW, RED

Each person then gets to speak in turn, while all others listen. This isn't a conversation, per se, as it is an opportunity for each person to share their perspectives so that everyone can be heard.

Everyone else's job is to just listen; not to speak or react.

To facilitate this, we saw several groups using the "green, yellow, red" method. As the turn to speak works its way around the circle, each person can say:

- Green - I can support the decision as it is expressed.
- Yellow - I don't have enough information. My question is...
- Red - I don't feel that I can support the decision as is, and here's my perspective.

The goal is to keep reworking the proposal until everyone can go "green."

For example, if the proposal is to allow dogs, Matt who owns a rescue pup named Pete would be "green." Susan, who is allergic to dogs, would be "red" and she explains that it's mostly about fur on the furniture. Matt asks if it would be acceptable if Pete stayed in a crate or in the garage? Susan shares that a professional cleaning usually helps. Matt suggests that the proposal be updated to "owners can bring dogs, so long as they commit to a professional cleaning after each stay." Susan goes "green." The group writes down the rule in the Operating Agreement.



*"By having a process and clear agreements in place, we've been able to really enjoy our family lake house with Katy's siblings, and focus on the good experiences her parents wished us all to have."*

- Walt Barron



# Process Ensures Happiness

We feel pretty strongly that co-ownership works best if you do the planning and documenting before you go looking at houses. It's the same with cute, fuzzy puppies... Once you're petting one, it's very hard to think logically about all that is involved in owning a dog.

## We propose the following:

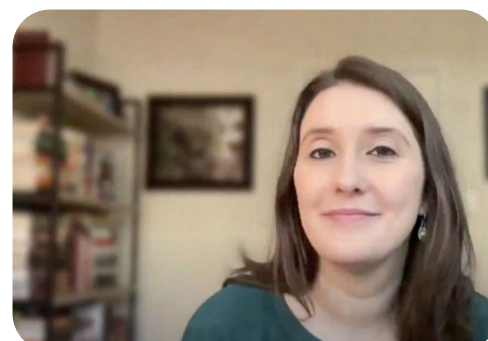
- **Start with the Idea** - Where is your vacation home going to be? What kind of budget are you comfortable with? What amenities or preferences are must haves for you? What time frame? Write these down!
- **List Possible Co-owners** - This is magic. Just starting writing down names. We've found it's always the case that people have plenty of potential connections.
- **Communicate Your Idea to Others** - Share what you've written down and gauge interest from your list.
- **Discuss Preferences and Draft Decisions** - Again, write down all of the things (or ask Plum for help). What's important here is to get 80% dialed in with people who are expressing interest.
- **Document the Decisions** - Some people store these decisions in a Friendship agreement. An LLC operating agreement is a good place, too. Either way, write it down!
- **Incorporate Your LLC** - You can get your family lawyer to help, but Plum CoOwnership is happy to help, too. Each of your co-owners will be on the capitalization table ("cap table") in the operating agreement.
- **Open a Joint Bank Account** - Once you have your LLC incorporated, you'll get a letter of good standing, and an employer identification number (EIN). You can use them to open a bank account for the LLC.
- **Realtor** - It's important to pick a realtor that knows about co-ownership and who knows the local area where your choice vacation property is located.
- **Get Pre-Approved with a Lender** - Screen lenders to identify those who are comfortable lending to groups. It's a different dance, so a few moments invested here will help in the long run.
- **Shop for and Buy Your Dream Vacation Home!** Notice how this is the last step in the process. If you want to "over index" for success, this is how the best groups of co-owners do it.



Plum CoOwnership, Inc., has built a business and a technology platform around these steps. We can take you through the process very quickly and very thoroughly. We'd be happy to chat with you a bit to see if it's a fit. [www.plumcoownership.com](http://www.plumcoownership.com).

*"It's easier to realize the dream of owning a vacation home if we're going in with four other owners."*

- Jenn Summe



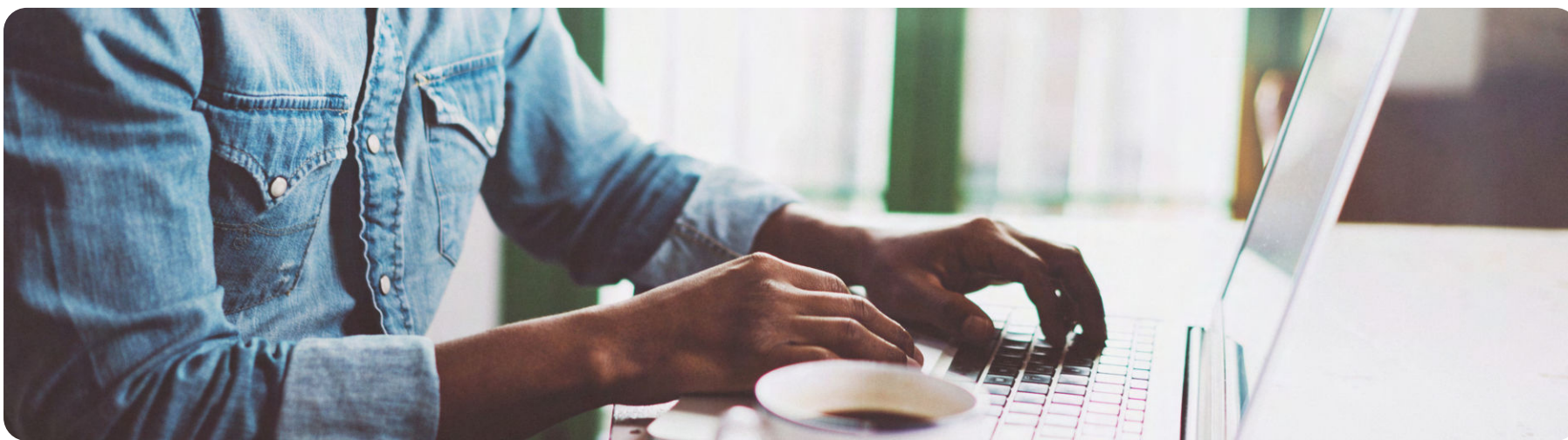


# Impact of Technology

Just as it did with Airbnb, Uber and Lyft, technology is playing an outsized role in making the sharing economy possible within the context of co-ownership.

## Centralization and Digitization

Much of what is hard about co-ownership is simply communication. The ease with which groups can post content and files to a centrally shared electronic platform directly improves co-ownership because everyone can now get to the shared information in nanoseconds. Plum's ability to share information, files, images, and video makes all of co-ownership easier.



## Transparency

A defining feature of the current wave of innovation is secure access to platforms and data. In co-ownership, one of the most important places to be transparent is with the LLC's joint bank account. If everyone can see every transaction, it creates the right behaviors and reinforces trust.

## Task Management

Keeping the group on track is important, and digital forms of project management and communication are quickly making it easier than ever to coordinate and collaborate with your co-owners.

## Conclusion

There has never been a better time for millions upon millions of Americans to realize the dream of vacation home ownership. Technology advances ushered in by the internet era, and proven so effectively in the advent of the sharing economy, have empowered all of us to see things more transparently, communicate more effectively, manage together as a group of people more effectively, and ultimately trust more.

Hundreds of hours of research and client-facing advisory work have confirmed that the best way to unlock the power of co-ownership is to follow a clear process that emphasizes logical and friendly decision making before beginning the home-buying experience. Lessons borrowed from other modes of shared ownership help to inform the best ways to buy and own a vacation home as a group, such as the consensus decision making.

Through the power of a logical process, technology-enabled collaboration, and the openness and transparency afforded by the two together, a new day of equity ownership is upon us.

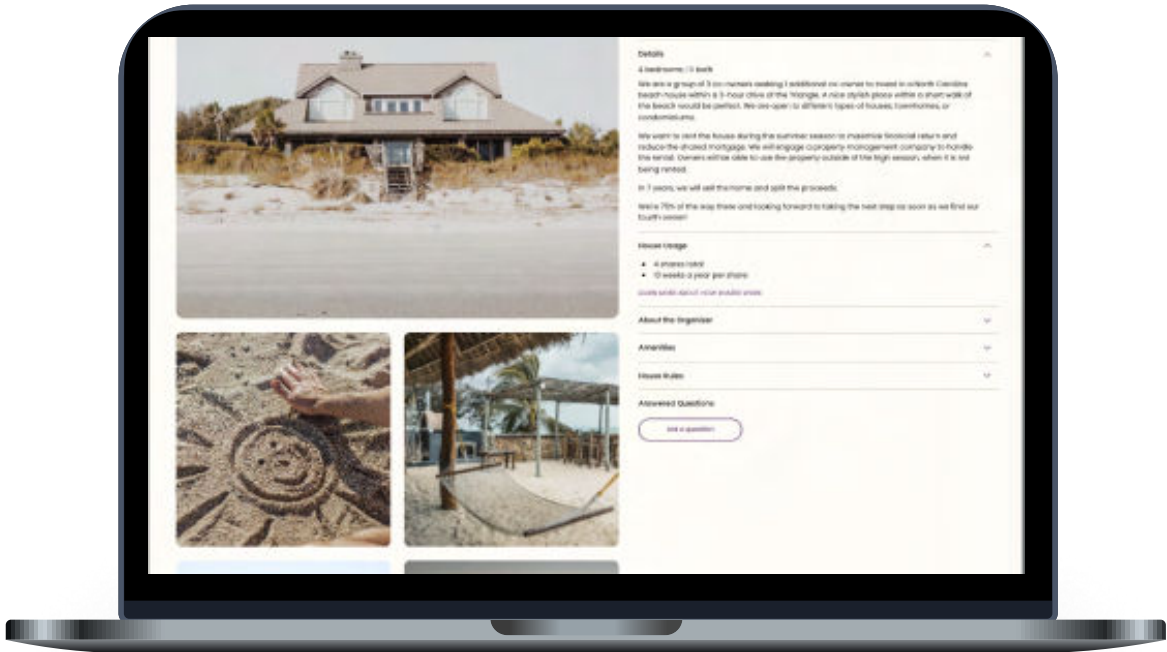




## About Plum CoOwnership, Inc.

Plum is the simplest way for people to buy and own homes together. Plum helps people explore if co-ownership is right for them, and if so, guides them through a simple process to help them generate the proper legal documentation to protect the interests of each member of the group and the relationships between them. Following purchase, Plum provides easy-to-use tools to help co-owners manage their shared home and resolve issues gracefully.

Plum is proudly located in Durham, NC.



Start your Plum today by visiting us at [Plumcoownership.com](https://Plumcoownership.com).

