

**Quaker Oats Credit Union**

## **10 Things To Consider Before Buying A Vacation Home**

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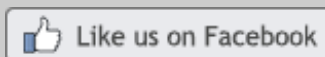
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An estimated 1.13 million vacation homes were sold in the U.S. in 2014, the highest number since the National Association of Realtors began collecting the data in 2003. And vacation home sales made up 21 percent of residential transactions in 2014. While owning a vacation home can make logistical and financial sense, it's not a decision to be entered into lightly.



**Here are 10 things to keep in mind before taking the plunge.**

### **1) Can you afford it?**

Real estate is not a liquid investment, and you can't count on being able to sell a home for a profit, or even break even, especially in your first few years of ownership.

### **2) Know all the rules**

Not all homes can be used as rental property. Homeowner or condo associations may set rules for rentals, as may cities. Some resorts may require you to use their programs, which set standards for interior furnishings and amenities, but the property handles the logistics for a percentage of the rent. If you plan to rent out your property, it's especially important to research all these rules before you buy.

### **3) Calculate all the costs**

The actual purchase price is only part of what you will need to spend. You will also have to pay utilities, HOA or condo fees, property taxes, insurance and the cost

of furnishing a new home. If you're in a resort area, you may also need or want skis, snowboards, kayaks, water toys or other gear.

#### **4) Be realistic in your rental income expectations**

Renting out a vacation home comes with expenses. You will need to pay for cleaning between tenants, advertising and perhaps property management. If you're part of a resort rental program, it will take a percentage.

#### **5) Know how often you will really visit**

If you don't rent out your unit, you want to make sure you will visit enough to make the purchase worthwhile. Pick a place you love and want to return to often. You don't want your home to sit unoccupied for long periods.

#### **6) Have an emergency plan**

If you don't visit the house often, make sure someone does. A water leak can be devastating. If you're renting, repairs need to be made quickly, so get to know a good handyman or property manager.

#### **7) Protect your home when it's vacant**

Vacant homes attract thieves. Take steps to keep your home from looking empty. Consider lights on timers or asking neighbors to occasionally park in your driveway. Make sure someone picks up mail and fliers so it's not obvious no one is home.

#### **8) Have a rental business plan**

Will you go into a rental program, hire a management company or do it yourself via services such as Airbnb or VRBO? If you're handling your own advertising, you will need great photos. You will also need to be able to take payments from tenants (PayPal or Stripe typically work well) and have a way for them to get in (such as a keyless entry with codes).

#### **9) Calculate your return on investment**

If owning a vacation home is part of your overall investment strategy, make sure it's a good move. Estimate returns and weigh them against other uses of the same money.

#### **10) Expect to pay taxes**

Rental income is taxable on state and federal returns, though most vacation homeowners won't earn enough after expenses to face a significant tax liability. If you are doing short-term rentals, usually of less than six months, your state and county consider you an innkeeper and expect you to collect the same lodging taxes that hotels collect and pay those to the appropriate authorities.

*Source: [www.livingonthecheap.com](http://www.livingonthecheap.com)*