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Timeshare vs. Vacation Home: Which Is Right for You?

by [Dan Rafter](#) | January 4, 2018 | [Home Buying/Selling](#)

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You dream of spending leisurely weeks along the beach. Or maybe you picture skiing down snow-covered mountains each year. And most of all, you'd like a home of your own – not a hotel – once you reach your preferred vacation destination.



timeshare arrangement.

Which is best? It depends on what you want out of your vacation property. If you're just looking for an easy way to nab a set vacation spot, a timeshare might make sense. If you'd like your getaway home to serve as an investment, too, though, you're better off [buying a vacation home](#).

The Big Differences

What's the difference between buying a vacation home and investing in a timeshare?

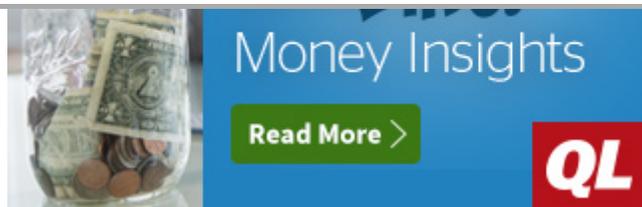
The biggest is that a vacation home is just like your primary residence. Even though you might only use it while on vacation, you own the property.

You can purchase a vacation home with cash, of course. Or you can take out a home loan to buy your property. You'd then pay back your mortgage with regular monthly payments, paying off interest while you do so, of course.

Depending on where your vacation home is, you can rent it out when you're not using it, cutting down on the annual cost of ownership. You will, though, be responsible for [maintaining that property](#), whether you handle lawn mowing, painting and upkeep on your own or hire a property management company to handle it for you.

Timeshares are more complicated. When you buy into a timeshare, you aren't buying your own vacation property. Instead, you're usually buying a piece of a property. You can't use that property all year round. Instead, you can use it for a certain number of days a year. In essence, you're sharing the property with other owners.





There are different types of timeshare arrangements. You might buy into a timeshare in which you can use your vacation unit during the same week every year. You might also enter what's known as a points club. In this arrangement, you can stay at one of a variety of timeshare units in different locations each year. The timeshares available to you might be limited by how many points you've earned – points you can typically obtain by purchasing them from your points club or by buying into a specific timeshare property.

With a timeshare, you won't have to worry about maintenance costs, but you will have to pay an annual fee, which you'll pay whether you use the property or not. When you want to get rid of your timeshare, you'll face another drawback: Timeshares can be hard to sell because there are so many on the market. You might be forced to sell at a deep discount just to get out of your timeshare arrangement.

This is why most real estate experts say that you shouldn't consider a timeshare to be an investment. Instead, you should consider it a fun luxury item.

The Pros and Cons

Gordon Newton, co-founder and president of Newton Group Transfers in Gilbert, Ariz., knows just how much of a financial burden timeshares can become. His company helps owners exit their timeshare agreements while losing as little money as possible.

He said that the difference between timeshares and vacation homes is simple: Owners should never consider a timeshare to be a financial investment.

"The biggest difference between a timeshare and a vacation home is that one is an actual investment – a vacation home – and one is not,"



vacation home requires a far greater investment. But the money you sink into a timeshare will eventually be lost once you're no longer interested in using the property, Newton said, and you're ready to sell.

That isn't true with vacation homes.

"When you are finished using your vacation home, you can sell it, and because real estate typically increases in value, you will often even sell for more than what you paid," Newton said. "A timeshare usually has no resale value. When you are done, there is no money to recoup and you are stuck with it."

Newton said that the resorts or private companies that sell timeshares won't take them back and that the children of most timeshare owners won't want you to pass the properties down to them. That's because timeshares usually come with ever-rising maintenance fees, which your children won't want to pay.

Owners, then, have two choices: They can sell their timeshares at a deep discount or continue to hold onto them, paying the annual fee as they do so.

When people buy timeshares, they often aren't educated on what happens if they want to dump their ownership interest, Newton said. Usually, owners will have to hire a professional timeshare exit company to help them get rid of their share, he added.

This doesn't mean, though, that timeshares are always a bad choice. They can work well for owners who understand the financial costs and simply want a guaranteed vacation spot every year.

"As long as one understands the costs of both getting in and out of a timeshare and does not expect a financial return, it can be a good way for families to vacation if they are committed to a single location," Newton said.

Glenn Carter, a real estate investor and writer with the Condo.Capital blog, said that timeshares do come with another notable challenge: It's difficult to rent them out. It's easier to rent out a vacation home,



Online platforms such as VRBO, HomeAway and Airbnb.

“If you love traveling to Florida, it’s much more profitable to buy a property, hire a property manager and then rent it out short-term than it is to buy a timeshare and then try to rent it out for the weeks you’re assigned,” Carter said. “Given, buying a property is more expensive. But if you can leverage it with a bank loan, then you are setting yourself up for some positive returns long-term.”

Margot Schmorak, chief executive officer at Hostfully, a San Francisco-based company that creates personalized guidebooks for the owners of vacation properties, puts it more succinctly: “A timeshare is more of a luxury than an investment,” she said. “A property you purchase, in a location you love to travel to, then rent out on a short-term basis, is a much better investment decision than a timeshare is.”

Timeshares often have restrictions that limit when or whether you can rent them out, Schmorak said. That makes renting them out a trickier challenge.

Mark Ferguson, a real estate agent in Greeley, Colo., and creator of InvestFourMore.com, said that timeshares require less maintenance than vacation homes do. They also come with those lower upfront costs, which makes them attractive to consumers searching for vacation spots across the country.

Vacation homes do come with more challenges for those not interested in the responsibilities of owning more than one home or hiring a property management company to handle everything from mowing the lawn to repairing broken windows and leaking roofs.

“For vacation homes, the benefit is that the property is yours year-round,” Ferguson said. “But they also come with high upfront costs and big maintenance requirements.”

Have you invested in a vacation home or timeshare? What have you enjoyed or wished you had known? Let us know in the comments below!

