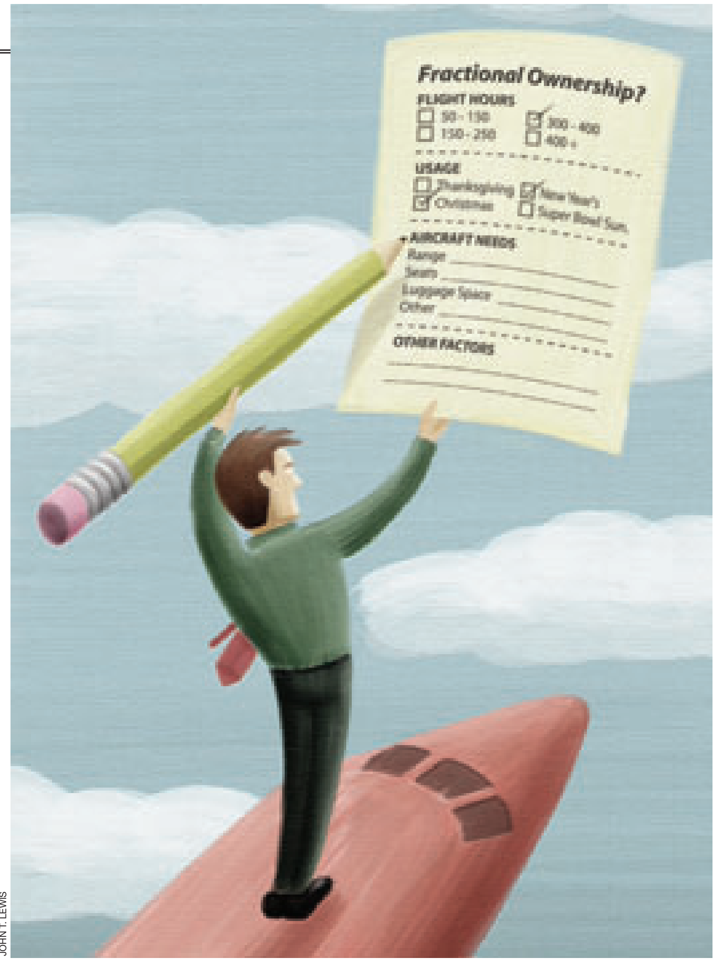
Who shouldn't buy fractionals

They're a perfect solution for some travelers, but others should steer clear.



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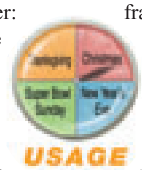
Is fractional ownership right for you? Or would a jet-card program, a block-charter card program, on-demand charter or maybe even whole-aircraft ownership better suit your needs?

I've often heard it said that if you fly between 50 and 400 hours per year, fractional ownership is the way to go. There's some truth to this maxim, but your analysis should go much deeper. Here's what you need to consider:



Usage patterns. Generally, the smallest fractional share provides 50 hours of flight time per year. So, if you are flying less than that, fractional ownership isn't a good choice (unless, perhaps, you can find a partner to co-own the share). However, just because you're flying 50 hours or more, doesn't mean that fractional is your best bet.

If, for example, you fly lots of short hops–say, 30 minutes each–you will lose about half your hours because fractional providers charge a minimum of one hour per flight. Providers may waive the one-hour minimum occasionally, but not often enough to make a significant difference to you.

If you plan to travel primarily on high-usage or "peak" days–for example, around New Year's, Super Bowl, President's Day and Thanksgiving–your fractional provider may not guarantee to fly you within the normal call-in time, nor will it guarantee to upgrade or downgrade you to an aircraft that best suits your needs.

Conversely, for trips on non-peak days, if you know well in advance when you're going to fly, the short guaranteed call-in time is of little benefit to you; yet, the provider must factor the cost of maintaining that capability into its operational model–so you're paying for a program feature that you're not using.

Similarly, if your home base is in or near a big city, it's likely that many charter operators are nearby. Thus, the fractional-ownership advantage of not paying directly for repositioning aircraft to service your flights ("deadheading") may be of little benefit to you, since a charter operator also likely will not need to reposition aircraft for you. The same analysis applies if you travel to well-served destinations.

If your flights are short, moreover, deadheading by charter operators will be relatively inexpensive, again limiting the fractional benefit of not paying directly for that service. Indeed, if you fly lots of same-day roundtrips, you may avoid deadheading charges altogether.

Finally, if you expect your usage to vary substantially over time, fractional may not be right for you. Most commitments are for five years and it can be costly to get out early. If, for example, you own a business in another city that requires you to fly frequently this year, you may budget for a fairly large fractional share. But if you sell the business next year and so won't be taking those flights anymore, you may end up with many extra hours. Or if you have a second home in a remote location, you may enjoy flying directly into the small nearby airport; however, if you sell that property and buy a new home that's well served by the airlines, you may not need that fractional share.

Aircraft models. Fractional providers are moving increasingly to limit the number of aircraft models in their fleets. If the models offered by providers are either too small or too big to suit your needs, unlike Goldilocks, you may not find fractional to be "just right."

In addition to seating capacity, you should consider factors such as range, speed, luggage space and fuel usage. If the fractional aircraft you're considering can't make your favorite trip without a fuel stop, can't hold all your ski or golf gear or can't land at the closest airport, you probably won't be happy with your investment. Even if the provider has the perfect aircraft, you also won't be happy if there are so few in its fleet that you often wind up on another model.

Cost certainty. If you require cost certainty, fractional may not be the way to go. Unlike jet cards, for which generally you pay a purchase price (albeit at a premium compared to charter and fractional prices) and are guaranteed a certain number of flight hours, with fractional you bear much of the risk of operational cost increases. More importantly, you bear the risk that the value of your aircraft (and thus your share) may change significantly, so that it's impossible to project your investment's actual total cost with any certainty.

Among other factors you should consider:

- Purchasing a fractional share requires a substantial capital outlay. In comparing options, you should weigh the opportunity cost of committing so much capital to this investment.
- If you're purchasing a share through your business, you also should consider that you likely will have to show it as an asset on your books, which sometimes raises the hackles of shareholders. However, charter flights, jet cards and the like may be included as part of your company's overall travel expenses.
- If you purchase a fractional share for personal use, the benefit of depreciating it as an asset likely will not be available (but consult your tax advisor).
- As a fractional owner, you will have "operational control" of the aircraft during your flights, at least theoretically increasing your liability exposure from what it would be if you flew charter and the charter operator maintained operational control.
- In purchasing a fractional share, you're investing in the provider for a relatively long term. If the provider suffers financial difficulties, labor problems or the like, those issues probably will affect you. If you go with a charter or jet card, your dollar investment will be less and so will your long-term risk.

Your goal should be to purchase maximum flight time on an aircraft that best fits your needs from a reliable, safety-oriented and financially stable company at a reasonable, if not minimum, cost. Making the wrong choice can cost you hundreds of thousands, even millions, of dollars. Is fractional ownership right for you? As you can see, there's much more to consider than just the number of hours you fly each year. ❑

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