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Expert Advice on Fractional Jet Ownership



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For frequent flyers who want to travel on their own schedule and avoid the crowded public terminals, private aviation can't be beat. But since a private jet is an expensive commodity, and few travelers fly enough hours per year to justify the costs, buying into fractional ownership is a popular option. Fractional programs offer a number of the same tax

advantages available to sole owners, while requiring lower capital outlay. Also, fractional ownership provides extra flexibility, since owners gain access to the provider's entire fleet. You can trade up or down to get the right-sized airplane for various missions.

In today's uncertain economy, buyers may be hesitant to acquire an asset that may lose value by the end of the usual five-year contract. But fractional providers are offering more flexibility and more deals to help calm those fears. For example, Flexjet, one of the oldest and best-known fractional providers, recently announced it would eliminate all remarketing fees for owners ready to sell their shares—a savings of 4 to 7 percent off the fair market value of the jet. The company also allows owners to exit their contracts early if necessary (with 90 days' notice), or to extend their leases in a down market and wait for resale prices to rise. According to Flexjet, prices are expected to reach lows sometime in 2009 before starting a gradual recovery, which provides a prime opportunity now for new buyers to invest.

Fractional contracts can be complex, and buyers should be prepared to spend some time analyzing them and negotiating to be sure they get the best deal. You should have a clear idea of how you intend to use the airplane: how many hours per year, carrying how many people and whether for short hauls or globe-trotting. Ask about the provider's standards of service and luxury, and compare rules for travel on peak dates, response times, and fees for empty legs. Pay close attention to the provider's cost-escalation terms for covering future cost increases for salaries and maintenance, to be sure there are no surprises along the way. Likewise, be sure to know what the your exit options are, just in case things change before your full term is up.

Some providers are more flexible than others. Flexjet's offerings are highly customizable, with terms from two to seven years and a wide range of share-size options, from 50 to 150 hours per year. "Flexibility has always been part of Flexjet's DNA (it's in our name)," says Bob Knebel, vice president of sales for the company. "We are utilizing our adaptive culture to respond to each individual's specific needs and customize solutions for them." Flexjet owners can schedule up to five jets on a single day, which comes in handy for special events and meetings. The company's Versatility Plus program allows owners to pool their unused hours, so if you need extra hours you can buy some, and if you have hours to spare you can get money back. And the company recently offered owners 15 percent off on round trips of one to two days. "This program was developed as a response to owner feedback for more affordable short-haul travel, and can save travelers thousands of dollars on each trip," Knebel says.

Private jets have always been a way to buy time and convenience. Now providers like Flexjet are responding to economic uncertainty by offering options that ensure peace of mind as well.

—*Mary Grady*

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