

## **THE NEXT GENERATION OF FRACTIONAL OWNERSHIP PROGRAMS OR CLASSIC JOINT OWNERSHIP**

Once perceived as a privilege of only the ultra-rich, an exciting and revolutionary trend is developing in the aircraft industry which is providing sophisticated travelers who desire, yet cannot afford, ownership of private jets. Referred to as fractional ownership programs, and built around the concept of joint ownership and time-sharing investments, these programs are designed to reduce the cost-prohibitive barriers of private aircraft ownership, while simultaneously offering travelers more hassle-free trips around the globe.

Increasingly, manufacturers, management and charter companies, and others are examining the merits of jumping on the fractional ownership band-wagon and starting or aligning themselves with a fractional ownership program. Others, who continue to want to cater to a small group of aircraft owners are engaging in modified joint ownership arrangements, modernized to reflect select attributes of fractional ownership programs. These programs offer varying degrees of joint ownership percentages, interchange and for timeshare capabilities, and geographic limitations.

It is no surprise that fractional ownership programs are attracting many new aircraft owners. These programs offer the appeal of limited financial commitment geared for the occasional aircraft user; they offer the tax benefits of aircraft ownership; some programs offer tremendous geographic flexibility, without significant deadheading costs, for one-way trips to or from any point in the United States, or possibly elsewhere in the world. Perhaps, most importantly, they offer expertise and skill in management and operation of aircraft offered by aircraft management companies for decades.

But fractional ownership is not for every prospective aircraft owner and the market has responded with newer, hybrid-type programs which draw from various attributes of the fractional programs. Hard to quantify, perhaps intangible, aspects of fractional programs no doubt leave many prospective aircraft owners still interested in purchasing “their own” aircraft. For owners anticipating modest aircraft use, purchasing an entire aircraft may not be economically viable. Historically, such owners have subsidized ownership costs by allowing their aircraft to be chartered when not otherwise in use. This is still a viable planning option, and the demand for charter has never been greater due largely to the fractional ownership programs.

Joint ownership, whereby two or more owners jointly acquire an aircraft and share the ownership costs, has also been around for decades, but has been hampered by the logistical issues of coordinating an acquisition and aircraft scheduling with another party. *Note:* Fractional ownership programs solve these problems. Market dynamics have now refined traditional joint ownership concepts, pulling in some attributes of fractional ownership programs. These new joint ownership arrangements, springing up around the country, are generally organized by aircraft operators (who likely are involved in the aviation industry generally) who require limited aircraft access for their own needs, and would like to “sell” ownership interests in their aircraft to others. Some offer a sale of stock or LLC [partnership] interests while others offer direct ownership in the aircraft. The aircraft may be managed by the “founding” owner, or professionally managed. In the event the founding owner has access to other aircraft (through ownership or management arrangements), limited interchange may also be offered. The new hybrid programs typically do not offer, transport to or from anywhere, style management, but rather keep to more basic ownership parameters.

These new arrangements reflect the market's reaction to fractional ownership programs by retaining the intangible aspects of aircraft ownership.

As the economy booms, and corporate aircraft become more accepted as a tool for businesses to enhance profitability: the market will continue to refine and enhance hybrid ownership programs. It is advised that you contact an experienced aviation advisor, someone with knowledge of the industry players and the business dynamics.