

Timeshare vacation plan

Not for everybody

Buying timeshares and credits at a discount from primary members works out cheaper

Owning a weekend home on a hill station is a dream of many. For most, it is not a viable option considering the investment and the maintenance cost. Timeshare vacations seem to be a good alternative for those looking for limited investment and recurring cost.

A timeshare membership entitles use of property for a specific period without paying any rent. The member has to pay a fixed amount towards maintenance every year. The membership has a tenure, which may range from 10 years to 99 years. The subscription fee depends on the duration of the membership, number of days the member can enjoy free stay, the type of rooms he chooses, and the season in which he enjoys the free stay.

But timeshare packages come with lots of terms and conditions. The most important aspect is to check if the stay is free of cost. Members have to pay annual maintenance charges, which are inelastic irrespective of usage. Also, most of the timeshare companies charge fixed utility charges on a per-day basis. These may range from Rs 500 to Rs 1000 per day. Thus, if a member pays Rs 10000 per year as maintenance and pays Rs 500 per day as utility charges, the cost of a seven-day stay is Rs 13500, which works out to almost Rs 2000 per day.

This may still look to be cheaper than the cost of accommodation in a resort or a hotel of similar standards. But considering the upfront membership fees and dividing it with the opportunity cost across the tenure of the membership, the deal does not look attractive. For instance, if the membership fee of, say, Rs 3 lakh, is invested at the rate of 8%, then it can give an annuity of approximately Rs 26000. So the cost of accommodation for seven days works out to Rs 5500 per day, which may be equivalent to the cost of accommodation otherwise.

This calculation is valid if the member uses the available credits every year without letting them lapse. If a member skips utilising the



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holiday for a year, then the cost will jump significantly as the fixed cost will not change. One advantage of a timeshare membership, however, is that future holidays become partly inflation-proof as only the annual maintenance and utility charges may increase with time.

Limited choice of resorts is another problem with timeshare. A company may not have resort facilities at each and every tourist location. A member may have to choose the holiday destination on the basis of availability of accommodations. Generally, a vacationer would like to select the destination first and then pick the accommodation. The need to pre-book is another disadvantage. Many members prefer booking during the vacation period. However, in a timeshare holiday, rooms have to be booked well in advance.

Many people also plan circuit tours. A timeshare membership may not be very useful for such tours. For instance, in the Gangtok-Darjeeling-Kalimpong-Pelling circuit, a timeshare club may have facilities only at Gangtok and Darjeeling. Thus, even if a member takes advantage of the membership and books accommodation for four-five days at these places, he will have to pay extra for accommodation at the other location. Also, in such a case, a member may not use up the full available credits of seven days as he may not like to stay at a particular place just for the sake of utilising the credits.

Travelling in a group may not be feasible with timeshare if all the group members do not have membership. Booking for non-members may be very expensive and non-members may not prefer to stay in a resort due to the high cost. So if people prefer travelling in groups they should avoid investing in timeshare memberships. Also, group bookings may work out cheaper than the cost of buying a timeshare.

Many of the timeshare facilities boast of star ratings for the facilities and amenities. A member needs to analyze the need for star ratings. Most of the travellers prefer sightseeing during the day and use the accommodation at night. Facilities such as indoor games, swimming pool, and multi-cuisine restaurants may not be of much use to them. On the other hand, these facilities will make a lot of difference to people who prefer to unwind at resorts rather than spending time on sightseeing and exploring places. Thus, a member needs to be sure why he needs timeshare.

There is also a need to check the credibility of the promoters while signing up for membership. There have been instances in the past of timeshare companies disappearing. Companies such as Suman Motels have not been able to run the business successfully. In the event of failure of the business model, it is the member's money at stake. These companies generally offer memberships at throwaway prices in the initial years to build the infrastructure. Thus, with minimum investment from own pocket, promoters may take risk on the members' money for expansion of operations.

If still convinced that investing in timeshares is beneficial, then do consider buying them from people who wish to sell their memberships. Memberships are transferable. Many who took a hasty decision may want to sell their memberships at a steep discount. You may also buy credits at a discount from members who have not utilised them and want to cash them before they expire.

Conclusion

Timeshare membership offers a lot — at a cost. Investors need to do a cost-benefit analysis thoroughly before signing the cheque.

— Rahul Mantri