

RETIREMENT LIVING

Boat Expenses Can Sink a Nest Egg



YOU LOVE your annual summer vacations cruising along the Intracoastal Waterway or sailing on the Great Lakes in your rental boat. With summer of 2013 approaching, wouldn't it be nice to buy your own boat?

It all seems idyllic. But hidden beneath those calm waters live creatures that could devour a big chunk of your retirement nest egg: the costs for maintenance, taxes, fuel and other boat-related needs. So before you fall hook, line and sinker for the idea of buying a boat, you need to figure out the total financial bite.

Once you get past the sticker shock of the purchase price, you'll need to figure in sales tax. Say you live in Michigan and would love a new 30-foot speedboat going for \$150,000—don't forget to add in the 6% sales tax, at \$9,000. Even a cheaper boat—say, a Hunter 22-foot sailboat selling for \$24,000—will set you back another \$1,400.

If you plan to finance the boat, you may be able to get an interest rate of 5.1% with a 15% down payment. You'll pay \$3,660 a year for 15 years for a 19-foot Sea Ray 190 that costs \$45,000. You may be eligible for a second-home interest deduction if the boat has a sleeping area, kitchen and bathroom. Check with your accountant because such a deduction can be tricky.

A Sea of Red Ink

Maintenance costs can be the hardest to predict. But a rough rule of thumb is to expect to pay 5% of your purchase price each year on a new model, says Chuck Fort, director of consumer affairs for the Boat Own-

ers Association of the United States. That's more than \$2,250 on that new Sea Ray. Maintenance costs could rise every year. Add a few more percentage points if the boat is more than ten years old. Before you buy a used boat, ask the owner for all maintenance records.

Of course, rules of thumb can be broken. Real estate agent Richard Rosetti, 66, of Marina Del Rey, Cal., recalls owning a used 43-foot motorboat. He got a good deal because it was built in the late 1970s. "But the undercarriage required more maintenance and there would be large bills—like replacing the electrical system was a quick \$15,000," he says.

Storage is another wallet-drainer. Keeping your boat at the dock costs at least \$15 a month per foot—\$300 a month for a 20-foot boat. A popular, and cheaper, option is a boatel—sort of like a hotel for boats, says Bob Switzer, 80, a former boat manufacturer from Johnsbury, Ill., who owns several models. Many boats (but not sailboats) are stacked indoors via a forklift. You call ahead and the boatel will launch your boat. Often even cheaper is an indoor storage area where you pick up your boat and tow it to the water.

Motorboats are gas guzzlers. Expect to pay \$100 for a day cruise in a high-powered sizable motorboat. Take out your boat 15 times over the summer, and you're out \$1,500.

Insurance typically will run between \$300 to \$1,000 a year in premiums, depending on the boat and the state. As with car insurance, you can lower your premiums by raising your deductible. Annual personal property tax, if it applies in your state, could cost between 0.5% and 1% of the boat's value—as the vessel diminishes in value so will the tax.

To save money, consider buying a boat with someone else. Rosetti estimates that the 31-foot Bayliner he once co-owned ran him \$1,000 a month in maintenance, docking and other costs. "People think it will be hard to share, but you just work things out in advance," he says. "Give a little notice and you have leeway to switch days if something important comes up." He and his boat partner kept a gas log and shared maintenance costs. If you go this route, draw up a legal partnership agreement, which should, among other issues, spell out what happens if one of you wants to sell your share.

Another way to save is to rent your boat out through a charter company. "If it's a popular boat, you could probably break even during the year," Fort says. The downside? You may not get to take the boat out as often as you'd like, and your vessel won't last nearly as long because of constant use. **K** —ERIC BUTTERMAN