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THE UPSIDE DOWN BOAT

It's now June and the boating season is starting to get into high gear. Only the "Floaters" are left onshore and still wrapped (you know who I'm talking about... the boat that goes in late and never leaves the slip) while the real Boaters have been launched and even made a few cruises by now. This is also the time when some boaters are looking to make a change....

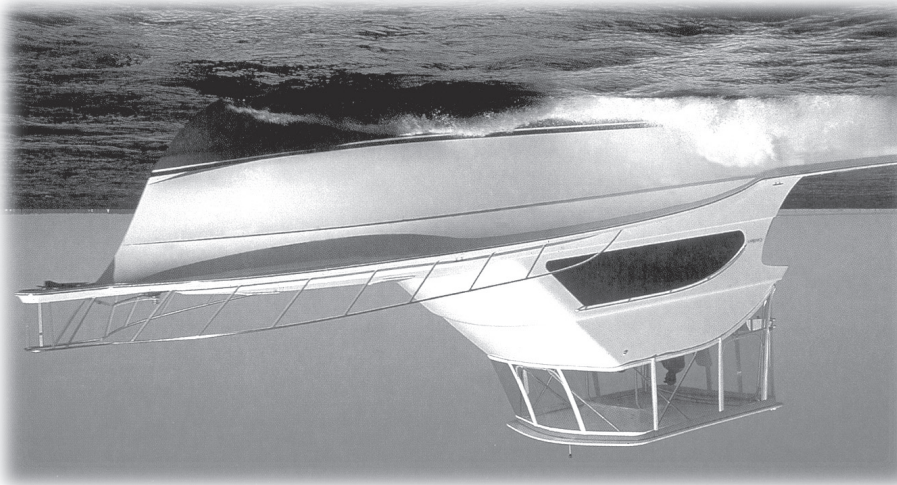
This month's column will highlight some choices that every boater will make when it comes time to move on to another boat; should you go for the new boat with all the bells and whistles OR look around for a great, well-cared for pre-owned vessel that better fits your pocketbook?

Let's look at the NEW boat purchase. The Buyer makes a decision that he wants to buy a certain brand of boat and visits the dealership to make his purchase. As he chooses the model that fits his particular needs, the Buyer has the opportunity to select from a long list of "options" that can make the vessel more personal to the Buyer; bigger engines, accent striping, electronic packages that include Radar/chart plotters/fish finders, up-graded interiors and much, much more. And best of all, these options will part of the overall mortgage payment. After all, it's a monthly payment that is tailored to your budget. What could be easier; a brand new boat with all of the equipment you wanted and at a monthly price you can afford !!!

There is nothing wrong about making the decision to buy "new". But you should understand the whole story. Financing a new boat purchase for 15-20 years is not good economics considering that the average person is in boating probably less than 7 years. When you purchase a new vessel, it's not the same as buying a new house. Even during these difficult economic times when the housing market is in turmoil, a house can eventually increase in value, however, a boat WILL decrease

or depreciate in value each year. Here's where the new boat owner can have a problem. If you have changes in your life-style about 3-4 years down the road (new job, college payments, no time, etc.) and decide to sell your vessel, you will undoubtedly learn the term "UPSIDE DOWN". These two words can have a serious effect on your well-being. What it means to the owner is that his "new" 4 year-old boat is now worth less than the balance of his boat mortgage!!! That's right, you owe more to the bank than you have in equity in your boat. Depending on the make and model of your vessel, it can be several more years before you can be in a position to sell your boat without having to come up with the additional money to pay off your loan.

Let's look at the same scenario from the "Buyers" point of view. You find the perfect boat with all of the equipment



you desired and the boat is only three-five years old. As the buyer of this pre-enjoyed vessel, you will be paying considerably less for this boat than the original owner did and you will be getting a boat that is really just "broken-in." As an example, if the original purchase price was \$100,000, in five years the re-sale

value could be as low as \$75,000. That's a difference of \$25,000 and in many cases the vessel still has manufacturer's warranties still in effect. The original owner has taken care of the little warranty issues that normally come up in the break-in period and chances are that there are low hours on the engines due to a lack of use. Whether you're just getting into boating or stepping up in size, a well-maintained pre-owned boat is a great way to achieve your goal at a very reasonable cost.

Please visit our website at www.hvyachtbrokers.com to see several examples of how a great pre-owned vessel can work with your budget. See you on the water!