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Buying a cottage with a buddy

National Post file photo

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When Mike Kinsey of Barrie and his good friend Dan decided to buy a 2,000-square-foot cottage together on Lake Cecebe near Huntsville, they had one rule: no smoking indoors. Unfortunately for Mr. Kinsey and his family, Dan's wife didn't buy into the rule and purposely left cigarette butts on the counter "so we'd know she smoked there."

Though the families vacationed separately, they sometimes overlapped weeks. Sleeping arrangements were clear-cut, with Mr. Kinsey, his wife and two children settling in the two main-floor bedrooms and Dan, his wife and two kids sleeping in the 400-sq.-ft. open space upstairs. Yet what Mr. Kinsey hadn't realized was that they were early risers while Dan's family liked to sleep in. That meant that if Dan had visitors staying overnight, Mr. Kinsey and his wife were often left feeding and entertaining those guests the next morning.

The experience provided uncomfortable moments for Mr. Kinsey, but he liked his friend and loved their cottage so he quickly learned to choose his battles. The two men got along so well that they never formalized their three-year arrangement with a written agreement or exit strategy. In hindsight Mr. Kinsey realizes that wasn't wise and now he's quick to share some sage advice whenever he hears of people who are thinking of sharing a vacation property.

"I would highly recommend having an agreement in place," says Mr. Kinsey, 47. "And you cannot sweat the small stuff. From there you can work it out. If you say, 'Oh my, I'm pretty sure I'm buying more beer than Fred,' you'll never make it. If you say, 'Well, geez, we're out of butter again but they never seem to buy groceries,' you're not going to make it. The little things like that will eat you."

As summer approaches and sun-starved Canadians start dreaming of owning a cottage, many quickly realize that property prices and the myriad expenses associated with lakeside living could make that dream impossible to achieve. Joint ownership might be the most logical solution, with owners sharing the premises as well as the mortgage, utilities, taxes and repairs. But as the old saying goes: Be careful when mixing business and pleasure.

Della Dwyer, a Barrie-based mortgage broker at Invis, says many people seek real estate partners because they can't afford to buy a cottage themselves. Some joint owners plan to use the dwelling as a family retreat, while others look at it as income potential and either use it occasionally or rent it out.

Yet despite best intentions, strong friendships or family ties, Ms. Dwyer says disputes over finances cause the quickest fallouts. The trouble usually starts brewing when something needs to be fixed, with one party not having the funds to pay for it or not willing to spend the money at that particular time.

"When you're sharing or purchasing a cottage together, you think that everybody you're purchasing with has got the same dollars in their pocket, the same bank balance as the next guy," she explains. "Inevitably one of the partners in the purchase will usually fall short."

When that happens, trouble follows. Either one person pays the bulk and gets resentful, or the project is put on hold. Waiting isn't always a good thing though, says Ms. Dwyer, especially "if siding or a window needs to be replaced, or we need a new dock, or we have to get the roadway a little less bumpy."

That’s why it’s important to ink the deal rather than just shake on it. Jim Marshall, broker with The Marshall Team — Re/Max Parry Sound-Muskoka Real Estate — says would-be partners should never have entered into a deal without a written agreement, a way out and eyes wide open.

“You need to have agreements that are written up, preferably by a lawyer — like a prenuptial agreement — because there are a lot of pitfalls in buying a cottage with a friend or family member,” Mr. Marshall says. “How are you going to share costs? How are you going to share responsibilities of a cottage in terms of maintenance? How are you going to share the summer? You need to have an exit strategy as well so if it doesn’t work you can get out of it, by buying out the other person or whatever. Everything has to be written out.”

During his 25 years selling waterfront properties, Mr. Marshall has seen his share of joint ownerships that failed the friendship test. In fact, he wouldn’t recommend it to anyone. It makes no difference whether it’s a new cottage or one handed down through the generations, he says, unless everyone “has all their ducks in a row.” For those looking for a partner so they can afford a more expensive cottage, he would rather see them rent it out for all or part of the summer to help carry the expenses.

As for Mr. Kinsey, he and his friend bought on a handshake with each man paying his share plus an additional $10,000 for potential repairs. Being handy fellows, they did much of the work themselves including installing plumbing and updating the kitchen. They kept all receipts to prove what they spent, and shared all costs equally without arguments. They even bought a ski boat and made the payments together. Though Mr. Kinsey admits it’s not the norm, their good behaviour made for a quick transfer three years later when Dan bought a new cottage and Mr. Kinsey bought out Dan’s portion of their shared dwelling.

“I had lots of people say to me, ‘How could you do that? How could you even make that work?’ ” Mr. Kinsey says of their early days. “We did — because I refused to sweat the small stuff.”