

Soar with private flight



The aviation world is experiencing a surge of interest in aircraft ownership. Now may be an ideal time to weigh your options for flying private.

A range of choices

Roughly 15 percent of ultra-high net worth individuals worldwide rely on private aircraft for most personal and business flights. Determining whether the time is right to join their ranks depends on your travel needs and preferences. How often you travel and where you travel, whether those trips involve business or pleasure, how you schedule trips, your concerns for security and privacy and who accompanies you can all influence your decision.

There is a range of choices for flying private, including:

- Charter travel
- Jet card
- Fractional ownership
- Joint ownership
- Full ownership

Each has pros and cons. As you deliberate, here are some considerations:

Charter travel: Chartering an aircraft can provide maximum flexibility without a long-term investment. Many charter operators offer access to multiple types of aircraft, which can be helpful if your travel involves different numbers of passengers and destinations. If you plan to rely on chartering, you'll need to vet prospective charter operators' requirements for advance notice (particularly for peak travel periods), availability of aircraft that meet your distance and capacity requirements, minimum daily charges & fees, and the cost to fly empty legs if your return trip is not same-day. Since you have no ownership position, you won't receive tax benefits.

Jet card: Another flexible set of options is jet card and membership programs, which allow you to purchase a set number of hours (typically a minimum of 25 hours/year) or a membership, plus an hourly charge. Like chartering a flight, there is no tax benefit but this can be a suitable option for one-way or multi-day trips.

Jet cards may carry a higher hourly rate compared to charters; however, you only pay for the hours you fly. Once again, do your research to determine which types of aircraft are available, expiration policies and advance booking requirements.

Fractional ownership: In a fractional ownership arrangement, you purchase a partial ownership share in a corporate aircraft. For example, a 1/16th share may entitle you to 50 hours of use annually. There are two key advantages of fractional ownership: you're making a lower investment compared to full ownership, and you receive the benefit of depreciation for tax purposes.

There's typically a monthly fee that covers operating and management expenses. You may be able to upgrade or downgrade to a larger or smaller aircraft for a specific trip, depending on the terms of your management agreement. When calculating the cost of fractional ownership, consider the expected residual or guaranteed buy-back amount. Also, be sure to understand advance notice requirements, limitations or premiums that apply to peak-period flights, geographic restrictions on travel and the timing involved in any buyback agreement.

Full ownership: Owning a private aircraft provides ultimate flexibility to customize your air travel experience. Additionally, ownership may yield meaningful tax benefits, depending on how you use the aircraft and your personal or corporate financial situation. A private plane may be purchased outright or financed.

About the author



Leslie Grant is a Director of Capital Advisory Services with BMO Family Office, which advises ultra-affluent families and family offices across their tax planning, investment, fiduciary and banking needs.

You may choose to lease or charter the aircraft to other travelers when you don't need it or are unable to use it.

Private aircraft ownership comes with significant responsibilities, including record-keeping, crew staffing, scheduling, maintenance and inspections. Many clients choose to outsource these duties to a professional aircraft management firm. The cost of all upgrades and modifications, including complying with FAA mandates, is paid for by you.

Purchasing a private plane is a team effort

It takes a team to navigate the selection, purchase, management, financing and disposition of an aircraft. Here are the key players:

Aircraft advisor

Aircraft advisors or aviation consultants specialize in helping prospective aircraft owners evaluate ownership options and aircraft types to find the best fit for their needs. The aviation advisor you choose should be unbiased, meaning they have no personal stake in which aircraft you purchase. They will identify potential aircraft for evaluation and review, and guide you through the purchase and sale process, including negotiating contract terms and arranging and overseeing the pre-purchase inspection.

Aircraft Management Company

Operating an aircraft and complying with maintenance and tax requirements is complex and multifaceted. Maintenance oversight, record keeping, flight planning, crew scheduling and management, provisioning and logistics are all tasks that must be supervised by your private flight department or a third-party professional aircraft management company.

Tax and legal advisors

Regarding taxes and aircraft ownership, it's to your advantage to be strategic -- professional tax and legal advice is a must. Enlisting the aid of a tax professional that is well-versed in private plane ownership can help develop your tax approach. Together, your tax and legal team can offer advice and guidance on sales, use and federal excise tax, qualified business use, eligibility for bonus depreciation and tax rules concerning personal and business use of the aircraft.

Lender

Your lender is your chief partner when financing an aircraft purchase. An experienced lender will customize a loan for your unique situation, considering your current assets and income, as well as cash flow forecasts, guarantors and leasing arrangements. For popular, high demand aircraft, your lender may provide financing for the pre-delivery payments required by manufacturers for future delivery of new aircraft.

It's important to understand what aircraft are in-scope and out-of-scope for your lender, and whether the bank has dedicated aviation professionals. Many banks prefer to finance aircraft purchases only for those customers with whom they have a long-standing relationship.

Let the experts help

Selecting, purchasing, financing and managing an aircraft is complex. Qualified specialists are available to smooth the way. BMO Family Office and BMO Corporate Aircraft Finance specialists regularly assist clients in the purchase of their aircraft. Contact an advisor today for help in navigating the aircraft financing process.



BMO Wealth Management is a brand name that refers to BMO Harris Bank N.A. and certain of its affiliates that provide certain investment, investment advisory, trust, banking, securities, insurance and brokerage products and services.

BMO Private Bank is a brand name used in the United States by BMO Harris Bank N.A. Member FDIC. Not all products and services are available in every state and/or location. Investment Products are: **NOT FDIC INSURED – NOT BANK GUARANTEED – NOT A DEPOSIT – MAY LOSE VALUE.**

C11# 8653251 ©BMO Financial Group (7/19)