



# PRIVATE JETS

MEMBERSHIP, FRACTIONAL OWNERSHIP, AND  
AIRPLANE OWNERSHIP BENEFITS AND COSTS



**Commerce Trust Company**

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# EXPLORING FIRST-CLASS PRIVATE AIR TRAVEL

Many think traveling by private jet is a luxury reserved for celebrities, high-level corporate executives, and the wealthiest families; however, disruptions and entrances into the private aviation industry over the years have now made this once exclusive means of travel more accessible with a depth of options that extend far beyond simply owning your own aircraft. While flying via private aircraft is still too expensive for many, different options available have significantly reduced the cost per flight, extending the option, even if on a one-off basis, to many more people and families.

This guide was created to help individuals and families understand your private flying options, assess the financial costs, and determine the right approach based on your needs. No one option is perfect for all families and individuals, and some travelers may use multiple options every year. Read on to learn more about different methods of private air travel, the costs, and the questions you should ask to help you decide which approach and when is the right timing for you.



# THE BENEFITS OF PRIVATE FLIGHT TRAVEL



Travelers may want to fly private for a variety of reasons. Most travelers compare private flight travel to flying commercial, as flying commercial has become cheaper and more direct. However, with more commercial options comes more stressful booking, airport and air travel moments.

A few of the inconveniences of flying commercial include long security lines, baggage claim wait times, cramped seats, additional fees, and the importance of airline status membership through both the frequency of flying and through the use of a credit card.

This is where flying private comes to the rescue.

Private jet membership, fractional ownership and airplane ownership as a means of airline travel can eliminate many of these inconveniences.

To help better frame getting to step one of avoiding these inconveniences and enjoying the benefits of flying private, we have grouped the benefits into three primary categories – convenience, privacy, and service.

## CONVENIENCE OF FLYING PRIVATE

Private air travelers enjoy the time saved and stress avoided by not having to walk through the typical large commercial airport because most private flights take off and land at smaller private airports or at separate private terminals at larger commercial airports. There are also no security lines, and you can arrive minutes before your scheduled departure time then immediately board the plane. If you are running late you can usually delay your departure time until you arrive.

Scheduling is also made easier. If you want to schedule a flight, you can usually do so within hours.

There are no baggage claims, restrictions or lines. You can bring most items on a plane and even into the cabin, including sports gear, liquids and pets. And when you land at your destination, your luggage is easily pulled from the cargo space and handed to you, thus nearly eliminating the possibility of lost luggage. The only limitation on most private flights is the weight restrictions per plane, but that is typically determined prior to the day of departure based on type of plane, number of passengers, expected luggage and length of flight.

Another advantage of avoiding larger commercial airports is that smaller planes can depart and land at many more airports throughout the country, thus making it likely an airport is closer to your departure and destination. Private travelers often fly into smaller airports for vacations to remote places that would require changing planes at a larger airport before connecting to the smaller airport or an extended drive from the airport if they were to have flown commercial. With more than 5,000 airports around the country accessible by private aircraft, the ability to land at an airport closer to your destination increases.

### ON A SCALE OF 1 TO 5, HOW IMPORTANT IS CONVENIENCE WHEN BOOKING TO YOU IN AIR TRAVEL?

Not Important		Somewhat Important		Very Important
1	2	3	4	5

### ON A SCALE OF 1 TO 5, HOW IMPORTANT IS CONVENIENCE WHEN ARRIVING AT THE AIRPORT TO YOU IN AIR TRAVEL?

Not Important		Somewhat Important		Very Important
1	2	3	4	5

### ON A SCALE OF 1 TO 5, HOW IMPORTANT IS AVOIDING LONG LINES AT CHECK-IN AND SECURITY TO YOU IN AIR TRAVEL?

Not Important		Somewhat Important		Very Important
1	2	3	4	5

### ON A SCALE OF 1 TO 5, HOW IMPORTANT IS REMAINING ON SCHEDULE TO YOU IN AIR TRAVEL?

Not Important		Somewhat Important		Very Important
1	2	3	4	5

### ON A SCALE OF 1 TO 5, HOW IMPORTANT IS CONVENIENCE WHEN LANDING TO YOU IN AIR TRAVEL?

Not Important		Somewhat Important		Very Important
1	2	3	4	5

**IF YOU ANSWERED A COLLECTIVE SCORE HIGHER THAN 15, FINDING THE RIGHT PRIVATE AIRLINE TRAVEL CAN BE A HUGE STRESS REDUCER.**

## PRIVACY

Whether it is wanting to avoid crowds or being able to discuss sensitive matters while flying, private airfare is the preferred way to travel. Not only can travelers decide who flies, many private aircraft offer seating arrangements that are more like a living room or conference room than a commercial aircraft.

All coughing and sneezing is confined to those you know, thus, giving you the ability to tell them the rules of the flight (cover your mouth).

In addition to a more comfortable traveling experience, passengers can interact as if they were at home or in an office. The privacy and space on most private aircraft also allows travelers to relax onboard more than they could on a commercial flight, even in first-class.

For individuals and families who want to lower the potential exposure to other travelers and possible viruses, flying private may be an attractive option. Travelers typically can limit their time in smaller, private terminals, and avoid large crowds in a commercial terminal and in the air. Additionally, many private aviation firms have invested in upgrades to filtration systems and to cleaning and disinfectant supplies to ensure their travelers feel as safe as possible.

**ON A SCALE OF 1 TO 5, HOW IMPORTANT IS PRIVACY TO YOU IN AIR TRAVEL?**

Not Important			Somewhat Important		Very Important
1	2	3	4	5	

**ON A SCALE OF 1 TO 5, HOW ANNOYED ARE YOU WHEN SOMEONE COUGHS OR SNEEZES ON A PLANE NEXT TO YOU?**

Not Important			Somewhat Important		Very Important
1	2	3	4	5	

**IF YOU ANSWERED MORE THAN 4, PRIVACY IS IMPORTANT WHEN DETERMINING THE RIGHT PRIVATE AIR TRAVEL STRATEGY FOR YOU, YOUR FAMILY OR YOUR BUSINESS.**



## QUALITY OF SERVICE

Snacks, drinks, and leg room have been curtailed or eliminated on most commercial airlines, particularly domestic flights, unless, of course, you are flying first class. However, even first class has been impacted by the frequency of flight (especially domestically) and airline cost cutting measures. In contrast, private aviation companies offer quality service that includes chef-driven/top-shelf pre-flight and onboard food and beverages as well as the ability to order catered food for the flight or to bring your own prepared meals. Many companies provide concierge services for before, during and after flights, and the low number of passengers on private flights allows the on-flight attendants to provide highly attentive service compared to commercial airlines.

The concierge-level service in the air is a step above, too, with first-class kindness and service provided in flight.

### ON A SCALE OF 1 TO 5, HOW IMPORTANT IS UPSCALE FOOD AND BEVERAGE EXPERIENCE WHEN FLYING?

Not Important		Somewhat Important		Very Important
1	2	3	4	5

### ON A SCALE OF 1 TO 5, HOW IMPORTANT IS SERVICE TO YOU IN AIR TRAVEL?

Not Important		Somewhat Important		Very Important
1	2	3	4	5

**IF YOU ANSWERED A SCORE HIGHER THAN 4, THE SERVICE-LEVEL EXPERIENCE SHOULD BE A PART OF YOUR DECISION-MAKING PROCESS WHEN COMPARING COMMERCIAL TO PRIVATE FLIGHT.**



A man with a beard, wearing a dark suit, white shirt, and dark tie, is seated in a private jet cabin. He is holding a smartphone to his ear and looking out the window. The cabin interior features dark wood paneling and a cream-colored leather seat. The lighting is soft and natural, coming from the window.

# FLYING PRIVATE OPTIONS

Flying private is no longer limited to owning an aircraft or having access to a small charter fleet. Travelers have options.

In addition to full aircraft ownership, which can vary greatly in cost, there are now fractional ownerships, memberships, jet cards and large charter fleets. However, each comes with its own advantages and disadvantages.

The following is a summary designed to educate you on each, as well as provide you insights to help you make the decision if flying private is for you.

## FULL OWNERSHIP

Full ownership of your aircraft means complete control over your private jet travel experience. You can fly whenever you want, with the same pilots, on your actual aircraft – each time. As the owner, you can store personal items on the plane and personalize the aircraft according to your tastes. That includes updating the interior, seating arrangements, adding WiFi, and other luxuries.

Purchasing a plane is not a decision to be taken lightly. There is a significant initial investment plus ongoing management expenses. At the purchase stage, you have the cost of the aircraft, and possibly brokerage, legal, and inspection fees. Annual operating fees can range from about \$700,000 to \$4,000,000 per year, excluding depreciation. You will also be responsible for the cost of repairs. A blown tire can range from \$2,000 to \$3,000 and a cracked windshield may vary between \$45,000 and \$70,000 plus 12-24 hours of downtime, for example.

Full ownership is expensive. To make it cost effective, owners generally need to log at least 250 flight hours per year. In addition to the costs, there are additional factors to weigh when considering full ownership including the needs of primary users, frequent destinations, and to a lesser extent, privacy.

Private jet owners can offset some of the fixed costs by leasing their aircraft to charter operators who will help you balance utilization of your plane and revenue-generating opportunities. In this arrangement, you decide how much revenue you want to generate and when the aircraft is available for charter use. There are other leasing options besides allowing charter operators to use your aircraft but these options, such as dry leasing, come with additional requirements from the FAA and IRS that make compliance challenging.

Full ownership may not be the best choice if it is cost-prohibitive or if your family or company has multiple travelers in need of the aircraft at the same time but are going to different destinations. It can also be challenging if the primary users are based in multiple different locations that would require the plane to fly empty to pick up passengers, thereby racking up fuel and operating costs to get in position. This holds true if the plane will do lots of one-way flights where you must decide if the plane stays at the destination and you pay the crew's expenses and hanger fees or returns to the departure city empty. Finally, it's important for owners to know that their name or company name will be registered with the FAA so anyone can track your tail number and determine flight activity using publicly available data.

Full ownership allows for the greatest level of flexibility and control over all factors relating to transportation. You own 100% of an aircraft and have all the responsibility for maintenance and compliance – though these responsibilities can be managed by an on-staff flight department or outsourced to an aircraft management company.

### BENEFITS OF FULL OWNERSHIP

- Able to depart on short notice.
- Have the same pilots for every flight
- Customize your aircraft according to your tastes
- Generate revenue by leasing your aircraft when not in use





## FRACTIONAL OWNERSHIP

Fractional ownership has been around for decades but is becoming increasingly mainstream. Travelers own a portion of an aircraft and have a share of the total flight hours for that specific plane, like a timeshare agreement for vacation property.

You can purchase a fractional share based on the number of hours needed for the year from a fractional fleet operator. The fleet operator provides planes of varying sizes, pilots, training, maintenance, hangar storage, insurance, catering and other services. This is very much a turnkey solution for the traveler.

Since the operator has a fleet of planes, you are not guaranteed to travel on the same plane each trip, but you are usually guaranteed the same model plane based on the agreement. Additionally, larger operators can typically provide owners with the ability to update or downgrade planes because it has a fleet of planes of various sizes. This flexibility could come at an additional fee.

Like splitting season tickets for a sports team or the theater, fractional owners split the ownership of a specific plane with other individuals or businesses. Each share usually represents a 1/16th ownership interest, which translates to about 50 flight hours per year, often making fractional ownership good for individuals or businesses that use private aircraft at least 50 hours per year. As with splitting sports or theater tickets, you can purchase greater than a 1/16th share if you need more hours.

### *The Cost of Fractional Ownership*

The total costs of fractional ownership vary greatly depending on the size of the plane purchased, the size of the fraction purchased and the term of agreement. The total cost (not fractional cost) of a new light jet can be between \$5-\$15 million, a mid-size jet between \$10-\$20 million and a large cabin jet between \$10-\$100 million. The up-front cost to the fractional owner would be whatever fraction of that total cost that they wish to purchase. But that is just the initial cost. After that there are annual management fees of an estimated \$100,000 - \$300,000 depending on the fractional interest

**Businesses can deduct the cost of the plane if it is used for business purposes. The total cost of the plane can be deducted in the year of purchase thereby reducing the initial cost of the plane. Consult a tax advisor who specializes in aviation prior to purchasing a plane or fractional interest for business purposes.**

and then hourly flying and fuel charges. All in, a 1/16 interest in a mid-size jet can cost the traveler between \$300,000 - \$500,000 per year in addition to the up-front cost to purchase the fraction. Note that these costs do not factor in the proceeds received from selling the share back at the end of the term which would reduce the overall costs, but that amount is not known until the end of the term.

**While the cost of a fractional share varies depending on the company and size of the plane, the cost of each share generally includes the following:**

- Initial capital payment for the fractional interest
- Monthly maintenance, insurance and operating expenses
- Hourly flight fee
- Fuel surcharges

The ownership agreements between the owner and the operator are typically for a length of three to five years. At the end of the term the operator guarantees to purchase the owner's share in the plane at the fair market value of the plane at that time. Therefore, part of the overall cost at the end of the term will be the net difference between the purchase price of the owner's share and the amount received when the owner sells the share back.

## **JET CARDS**

Jet Cards are a popular way for travelers to enter the private aviation industry without having to commit to owning a portion of a plane. A Jet Card acts like a prepaid debit card where a set amount of money is added to a card that can be used over a set amount of time and the balance is reduced as flights are redeemed. One of the main benefits of committing these funds to a prepaid card is that future bookings on flights are at agreed-upon fixed hourly rates for each plane. This saves you from having to shop around looking for the cheapest flight because the hourly rate is known in advance.

**Jet Cards typically come in two forms:**

- A fixed dollar deposit to the card, which locks in hourly rates on different sizes of planes. These rates are agreed to prior to funding the card and cover different size planes, one-way versus round trip, and peak versus non-peak travel days. Once the deposit is paid the cardholder can request an aircraft from the service provider who supplies the desired plane from its own fleet or charters one on the open charter market. As flights are taken, an amount is then deducted from the card at the agreed-upon fixed hourly rate.
- A fixed number of hours on a given aircraft type. An example would be to fund a card with a certain amount, which represents a fixed number of hours, such as 25-hours on a mid-size jet over a predetermined period.

Jet Cards are offered by both charter companies as well as fractional ownership firms and other membership firms. The main difference among the companies is whether the card is used on aircraft that is within their fleet, or if the company must charter aircraft from the open market (some firms do a combination of both). Oftentimes the deposits are fully refundable, or if the firm offers other membership or fractional ownership programs, unused deposits can be rolled into those other programs.

## *The Cost of a Jet Card*

The cost of a Jet Card varies depending on whether it is with a charter company or fractional or membership firm and whether you are paying as you go like a debit card or if you pay for a fixed amount of hours on a specific plane. If you purchase 25 hours on a specific plane the cost can range anywhere from \$100,000 for a light jet up to \$500,000 for a large jet. Many Jet Cards include between 10-45 peak days that are either not included or not guaranteed in the fixed cost. If they are not included, the firm may require the traveler to pay a premium per hour for those days. So instead of using 5 hours of purchased time for a 5-hour flight, the traveler would have to use 7 hours of purchased time for a 5-hour flight to travel on that day.

## **MEMBERSHIP**

Membership refers to aviation firms that allow individuals or businesses to pay a one-time initiation fee and possibly annual dues, to have access to their fleet of planes and network of charter relationships.

The membership model typically involves services in addition to flights, such as concierge services and member events to name a few. Members generally can choose to either pay-as-you-go (like charters) or a pre-paid option (similar to a Jet Card).

One of the main benefits of joining a membership program is the ability to deal with one company that has access to a large fleet of its own and/or to a large network of fleets. This means either more plane and flight options and/or a more consistent flying experience and level of service.

## *The Cost of Membership Programs*

The cost of membership programs varies widely based on the company and the level purchased. The initial fees can range from nothing up to \$20,000 plus annual members fees of up to \$10,000. While these are less than the fractional ownership fees, they are more than Jet Cards and chartering. After paying these initiation and annual fees, you pay the hourly flight fee and potentially other fees like taxes, fuel surcharges and airport landing fees. Most membership firms do not charge for basic food and beverage or for repositioning the plane after each flight and many have different membership levels that determines initiation and annual fees as well as peak day flying restrictions, how far in advance needed to guarantee booking and caps to hourly flying rates. Because the membership levels and what is included in each level varies among the different companies, the costs of a membership vary widely as well.

## **CHARTERING**

Chartering individual flights has been around for decades and is one of the best ways for travelers to evaluate flying private, as well as a good option for individuals that won't use it often enough to benefit from a membership.

Chartering a flight is like renting a car. You work with a charting company to reserve and use an aircraft on an as-needed basis and pay for that flight. Up-front deposits nor membership are required. You just pay per flight a fee that varies depending on the aircraft type, the distance of the trip, whether it's a one-way or round-trip flight, as well as other factors.

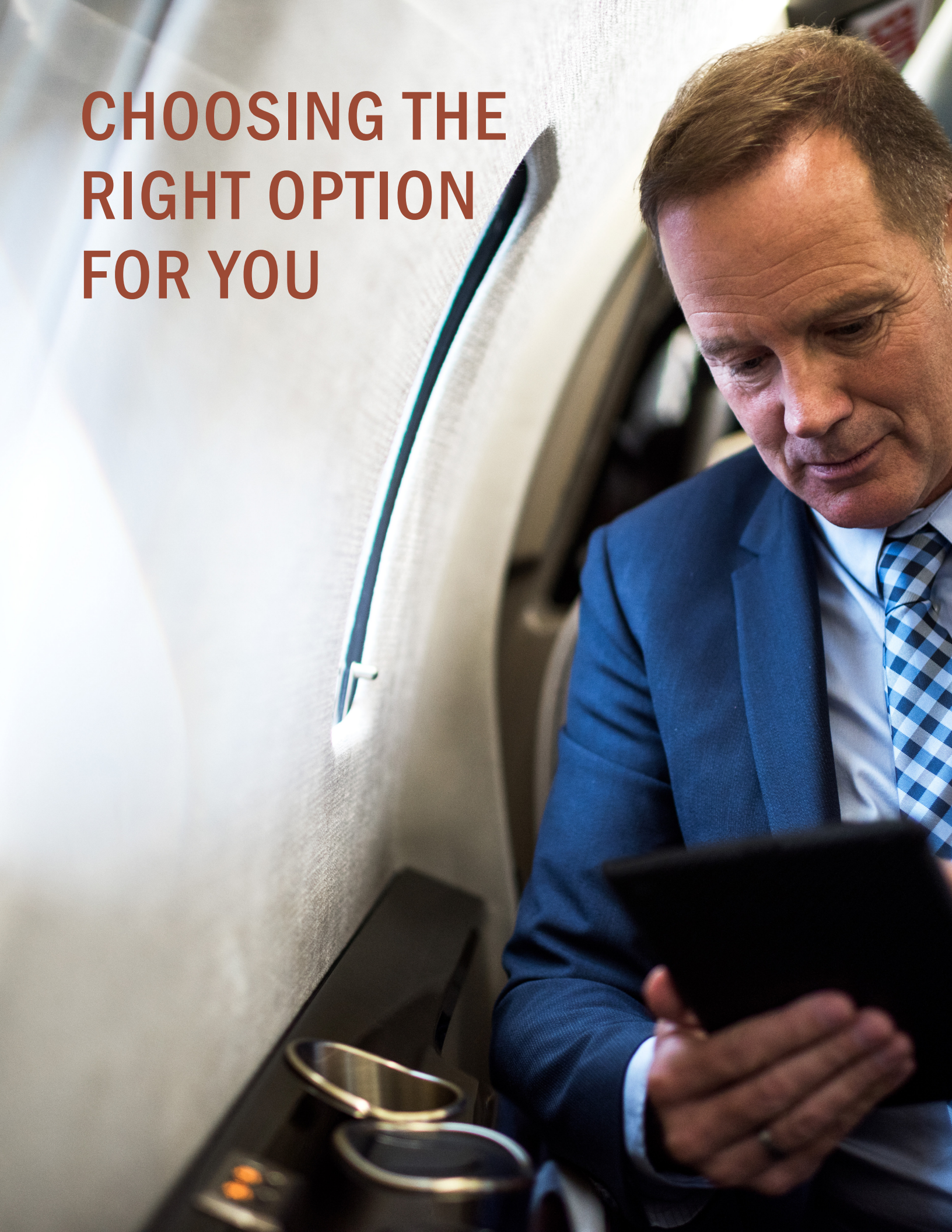
There are many air charters and brokerages that have access to a wide variety of aircraft around the world. Some chartering firms are better for shorter, regional flights, while others specialize in longer domestic or international flights. Additionally, many charter companies offer Jet Cards for the more frequent traveler as well as some of the extra services that membership firms are offering its members.

## The Cost of Chartering

The cost of chartering a plane varies depending on the type of plane and length of flight, as well as whether the trip is one-way or round trip. One-way trips are typically charged for repositioning the plane back to another airport, while some companies will keep a plane at the trip location for a few days and have the traveler pay for the pilot wait time but no repositioning fee. It all depends on the length of stay and the needs of the charter company. Given these factors, the costs for a less than three-hour flight that does not require refueling can range from less than \$10,000 for a light jet to over \$25,000 for a large jet. Going more than a thousand miles (or greater than three hours in the air) either requires a mid to large jet or a stop to refuel and will increase the costs given above for less than three-hour flights.

OPTION	DESCRIPTION	BEST FOR THOSE WHO FLY...	ADVANTAGES	DISADVANTAGES
<b>FULL OWNERSHIP</b>	Own, operate and manage plane	250+ hours/year	<ul style="list-style-type: none"> <li>Unrestricted access to the plane</li> <li>Full control (e.g., type of plane, crew, maintenance, flight time &amp; passengers)</li> <li>Ability to lease plane out to defray costs</li> </ul>	<ul style="list-style-type: none"> <li>Most expensive option (upfront costs and recurring expenses)</li> <li>Responsible for all expenses and assumes full liability</li> <li>Pay the full cost of repositioning the plane</li> </ul>
<b>FRACTIONAL OWNERSHIP</b>	Own between 1/16 to 1/2 of a specific plane through a fractional share provider	50 – 400 hours/year	<ul style="list-style-type: none"> <li>Lower up-front cost than full ownership</li> <li>Planes are professionally managed and maintained</li> <li>Consistent quality of aircraft and crew</li> <li>No repositioning charges</li> </ul>	<ul style="list-style-type: none"> <li>Larger upfront costs than several other options</li> <li>Per hour flight costs can be expensive</li> <li>Planes may be used more heavily than full ownership</li> </ul>
<b>JET CARD</b>	Pre-paid purchase of block of flight hours or specific dollar balance	25 – 75 hours/year	<ul style="list-style-type: none"> <li>Hourly flight rate is typically known and fixed</li> <li>Access to a wide range of aircraft</li> <li>Deposits are typically refundable if unused</li> </ul>	<ul style="list-style-type: none"> <li>Aircraft are typically older models</li> <li>Inconsistent quality of service because planes are chartered from various companies</li> </ul>
<b>MEMBERSHIP</b>	Similar to Jet Card with membership fees and perks	25 – 100 hours/year	<ul style="list-style-type: none"> <li>Newer aircraft compared to charter</li> <li>Access to a wide range of aircraft through network of charters in addition to company's fleet</li> <li>Consistent service and quality of planes</li> </ul>	<ul style="list-style-type: none"> <li>Up-front costs and annual fees required</li> <li>Competition with other members for peak days</li> </ul>
<b>CHARTERING</b>	Contract for flight on a trip-by-trip basis	Less than 25 hours/year	<ul style="list-style-type: none"> <li>No up-front costs</li> <li>Most flexible option</li> <li>Pay for only what you use</li> </ul>	<ul style="list-style-type: none"> <li>Inconsistent service and planes</li> <li>Extra fees, such as repositioning plane, can add up</li> <li>May need to shop around to get lowest cost for every trip</li> </ul>

# CHOOSING THE RIGHT OPTION FOR YOU



## THE FIRST STEP IN SELECTING THE PRIVATE TRAVEL OPTION THAT IS RIGHT FOR YOU IS TO EXAMINE YOUR TRAVEL NEEDS, GOALS AND BUDGET. ASK YOURSELF THE FOLLOWING QUESTIONS:

How often will you travel per year? \_\_\_\_\_

Are you traveling for personal or business? A combination of the two?  
\_\_\_\_\_

How many people will travel with you on each trip? \_\_\_\_\_

Do you need multiple planes at the same time for the same or different trips?  
\_\_\_\_\_

How much and what type of luggage do you anticipate bringing on trips?  
\_\_\_\_\_

How far will you travel? \_\_\_\_\_

Which region or cities will you frequent? \_\_\_\_\_  
\_\_\_\_\_

What days of the year are you most likely to travel (concentrate on holidays)?  
\_\_\_\_\_

What special amenities do you require? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## UNDERSTAND THE COST OF PRIVATE TRAVEL

Several factors can impact the cost of each private travel option, including:

- Date of flight
- Size and type of aircraft
- Number of passengers and luggage
- How far in advance flight was booked
- Whether the following fees are included:
  - Fuel
  - Pilot wait time
  - Landing fees
  - Repositioning charges
  - WiFi
  - Deicing costs
  - Food/beverage costs

*Note: Many of these costs are included in the hourly rate given for fractional ownership programs as well as for membership firms but are not included in the hourly rate given by charter companies. These charges can add up to a significant amount, so it is important to factor them into the total cost of the trip.*



## CONCLUSION

Flying private is no longer reserved for the ultra-wealthy. You have options, whether you view private air travel as a one-time indulgence or a business advantage.

This guide introduced some of the most popular approaches to private air travel from full ownership to fractional ownerships, memberships, jet cards, and large charter fleet options. Each option comes with its own cost structure and advantages.

If you are interested in pursuing private air travel and need help with financing or determining how it fits into your overall financial picture, contact Commerce Trust Company. Our team of professionals can provide access to aircraft financing and help you explore the private air travel option best suited for your financial plan and lifestyle.

The opinions and other information in the commentary are provided as of November 12, 2020. This summary is intended to provide general information only, and may be of value to the reader and audience.

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