CASH vs. FINANCING

Bird Rock Boat Club · decision one-pager · does a loan make sense with 6-8 of us?

August 8, 2026
draft for discussion

The question on the table: borrow against the boat, or buy with cash and let members who need it pay over time?

THE BASELINE

1 · Cash, equal shares

$75k all-in -> $12,500 each at 6 owners ($9,375 at 8).
$0 interest. No lender, no liens, no personal guarantees.
Close in days — cash buyers win negotiations on 20-yr-old boats.
Group of 6-8 makes this trivially reachable — that is the point of having partners.

RECOMMENDED

2 · Cash + internal flex ("Bank of Josh")

Boat still bought with cash — full price on day one.
Flex members: $5k down + $235/mo x 36 covers a $12,500 share.
Total interest: $641-961 per flex member at 8% fixed — **paid to OUR capital members,** not a bank (~2x a savings account).
No credit pulls, no age-of-boat limits. Papered in the LLC agreement.

SKIP

3 · Bank loan on the used boat

Mostly a mirage: lenders cap boat age at ~15-20 yrs; loan **minimums ~$25k; used rates ~9-11%.**
If one bites: $60k, 10 yr @ 9.5% = $776/mo + $33,166 interest.
LLC borrower = personal guarantees — joint & several.
Adds cost and entanglement; adds zero capability we lack.

A YEAR-2/3 DECISION

4 · The newer-boat stretch (~$200k, 2015+)

$40k down = $5,000 each at 8 owners; $160k note @ ~8%.
20-yr note: $1,337/mo -> ~$576/person/mo all-in at 8 ($696 at 6).
Lifetime interest: ~$161k — literally two entire used boats.
Depreciation ~$10-16k/yr; exits entangle with loan payoff.
Survivable monthly — but it is a different club. Prove year one first.

JOSH'S INTEREST CONCERN, ANSWERED

At our scale, interest is a rounding error that stays in the family: even if three members all take the flex plan, total interest is under $3,000 over three years — and every dollar of it lands in our partners' pockets at 8%. Compare: $33k to a bank on a used-boat note, or $161k on the newer-boat stretch. The bank only enters this story if we deliberately choose a $200k boat. Otherwise we ARE the bank.

FINE PRINT WORTH KNOWING

- Opportunity cost: borrowing at 8-9.5% so cash can sit earning ~4% is negative carry. Financing only "wins" if your alternative use of capital reliably beats the loan rate after tax.
- A boat with a berth, galley, and head can qualify for the second-home mortgage-interest deduction — but through a co-owned LLC with personal use, it is messy. Treat it as $0 in this decision.
- If the group ever does take a note: exit clauses must price buyouts against loan payoff, and the note should allow assumption — otherwise one member leaving forces a refinance.
- Flex-plan mechanics live in the operating agreement: fixed 8%, 24-36 month amortization, prepayable anytime, balances secured by the departing member's equity on exit.

VERDICT: Season one: cash at the group level, flexibility inside the group. No bank, no guarantees, interest stays with us. Revisit financing only if a year-two BRBC votes to trade up to a $150-250k hull — with these numbers on the table.