35th Annual

Tax Symposium

ESTATES OF THE RICH AND FAMOUS ACCOUNTING DO'S AND DON'TS

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THE ACCOUNTANT'S ROLE: IT STARTS BEFORE DEATH

An estate plan can fail long before the estate exists.

- Understand the client's current financial picture
- Understand how the client actually earns money
- Identify entities, trusts, contracts and ownership interests
- Understand lifestyle and cash-flow requirements
- Identify assets that may become difficult to administer at death
- Coordinate early with attorneys, financial planners and other advisers

ANALYZE THE CURRENT INCOME, FINANCES & ENTITIES

Passive vs. active income

- Compensation and earned income
- Business/operating income
- Royalties
- Licensing income
- Investment income
- Rental income
- Partnership/S corporation/LLC interests
- Intellectual-property income
- Future or contingent income



ANALYZE THE CURRENT INCOME, FINANCES & ENTITIES

Past, present & future tax status

- Historical tax returns and tax attributes
- Current federal/state/local tax exposure
- Entity-level taxation
- Estimated future income
- Potential estate and gift tax considerations
- Post-death income-tax considerations
- Carryovers and other tax attributes

LIFESTYLE & PROFESSIONAL-TEAM COST ANALYSIS

Review:

Housing & Real Estate	Security
Household Employees	Personal Assistants
Travel	Attorneys
Vehicles	CPAs
Insurance	Financial Advisors
Publicists	Managers
Charitable Giving	Other Professional Fees

DO: Determine which expenses are personal, business, investment, estate or entity expenses.

DON'T: Assume that because an expense is routinely paid by an entity, it is automatically deductible or properly classified.

PARTICIPATION IN ESTATE PLANNING

The accountant should not operate in a silo.

Confer with the attorney and financial planner(s)

- Understand the estate plan
- Identify ownership and beneficiary designations
- Coordinate entity structures
- Review liquidity requirements
- Identify potential valuation issues
- Understand anticipated distributions
- Identify assets requiring special administration

Important distinction:

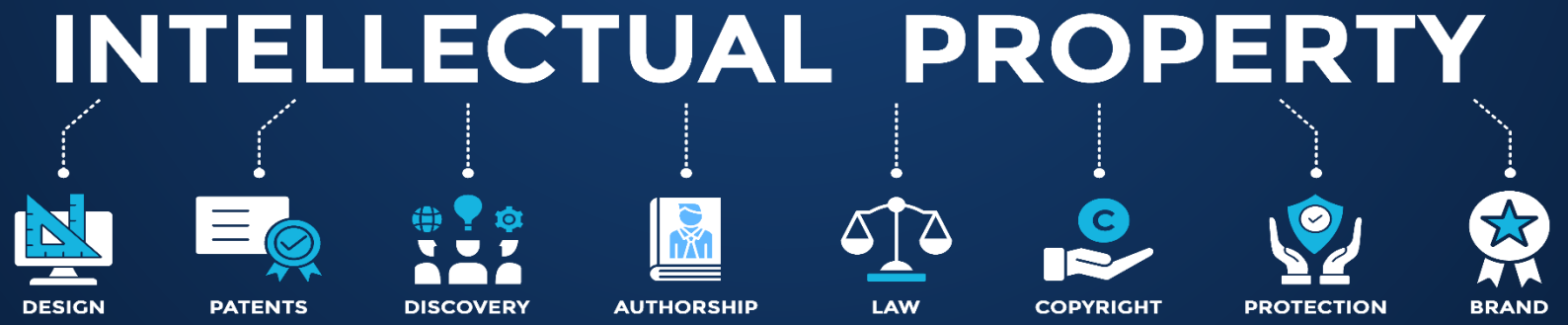
The accountant provides accounting/tax analysis and coordination; legal drafting and legal opinions remain with counsel.

Financial planning is an important third component.

INTELLECTUAL PROPERTY: THE ASSET THAT DOESN'T DIE

Potential Assets:

- Copyrights
- Trademarks
- Music catalogs
- Publishing rights
- Licensing agreements
- Royalties
- Image/name/likeness rights
- Film/television rights
- Books and other creative works
- Future contractual payments



FUTURE IP ASSIGNMENTS & STRUCTURE

Questions for the team:

- Who owns the IP today?
- Is it personally owned or entity-owned?
- What happens upon death?
- Are assignments properly documented?
- Who receives future royalties?
- Are contracts assignable?
- Are there post-death licensing opportunities?
- Does the estate inherit an asset, an income stream, or a contractual right?



An asset can have relatively little value on a personal balance sheet today but generate substantial post-death income.

PRE-DEATH PLANNING FOR PERSONAL EFFECTS

Potential personal effects:

- Gold records
- Signed memorabilia
- Presidential Medals of Honor
- Awards
- Artwork
- Jewelry
- Automobiles
- Trading cards
- Coins
- Stamps
- Firearms/collections
- Sports memorabilia
- Personal correspondence

The accounting issue isn't simply **“What is it worth?”**

It's also: **Who owns it, where is it, what is its market value, and who gets it?**

DO AND DON'T

DO

- Inventory valuable personal property
- Obtain appropriate valuations
- Photograph/document items
- Identify ownership
- Document distributions
- Maintain receipts and acknowledgments

DON'T

- Assume everyone knows what exists
- Use internet asking prices as appraisals
- Rely solely on memory
- Assume possession equals ownership
- Hand assets to beneficiaries without records
- Reconstruct the estate years later

CASE STUDY: "THE $5 MILLION CLOSET"

A celebrity whose family is feuding dies owning:

- $1M jewelry
- $1M automobiles
- $500K memorabilia
- $1M artwork
- $500K coins/stamps
- $500K miscellaneous personal property







CASE STUDY: “THE $5 MILLION CLOSET”

What does the accountant do first?

1. Establish ownership.
2. Locate and secure the property.
3. Create an inventory.
4. Determine appropriate valuation methodology.
5. Identify insurance.
6. Determine intended disposition.
7. Coordinate with counsel.
8. Record distributions/sales.
9. Track tax consequences.
10. Preserve documentation.

THE “FAMOUS ESTATE” PROBLEM

A celebrity estate adds another layer:

Publicity can create value—and accounting problems.

For example:

- A signed item may be worth substantially more after death.
- A previously obscure recording may become commercially valuable.
- A name/image may generate new licensing opportunities.
- Personal memorabilia may appreciate because of renewed public interest.
- Family members may disagree over sentimental versus financial value.

The accountant therefore needs to distinguish **fair/appropriate valuation for the relevant tax or accounting purpose** from speculative future value.

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QUESTIONS

Submit questions for presenters

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THANK YOU



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