

## Media Mentions

### Art Succession Planning



***Keeping Your Collection Off eBay: A little planning can make a big difference for your heirs and your treasures.***

JUNE 4, 2007 -- After television puppeteer Morey Bunin died in 1997 at age 86, his three children donated his puppets and scripts to the Museum of the Moving Image in Astoria, N.Y. But they consigned more than 200 reels of film that captured the antics of such characters as Foodini, Pinhead, and The Schnozz to the basement, thinking they had only sentimental value. It wasn't until they read an article in 2001 about the disappearance of many shows from the early days of television that they realized they were sitting on a treasure trove. "When we saw the article, the light bulb went off," says Erica Bunin, the puppeteer's daughter.

The siblings ultimately sought the help of Laurence C. Zale Associates, a New York art advisory service, which devised a strategy for them to preserve the films for posterity and make out financially. After an appraiser valued the reels at \$2.3 million, the family donated many of them to the Museum of Modern Art, the Library of Congress, the Museum of Television & Radio, and the UCLA Film & Television Archive. By doing so, they pocketed \$1.6 million in tax deductions while boosting the pedigree of the remaining reels, which are now up for sale. With an idiosyncratic collection like this, "you have to be pretty creative," says Laurence Zale.

If you're a collector--and one-third of people with net worths of more than \$10 million are, by one estimate--you need to do more than keep your valuables dusted or stored in climate-controlled rooms. Without careful planning, your heirs may face a substantial estate tax bill--whether they decide to keep the stuff or not. And if you want to unload your treasures while you're alive, the long-term capital-gains rate on collectibles is 28%. (The rate on stock gains is just 15%.) If you have a collection you love, here's what you need to do:

**FACE FACTS.** Don't delude yourself into thinking your kids will cherish what you spent years accumulating. When Michael Mendelsohn, president of Briddge Art Strategies Ltd. in Purchase, N.Y., asked his daughter which five pieces from his art collection she would most like to inherit, he was impressed that the then-19-year-old selected five of the most important works.

Mendelsohn was less pleased when he asked about his daughter's reasoning. She wanted to make as much money as possible when she sold them. The rejection can sting, but it's better to know your loved ones' true feelings about your collection so you can make the best decisions.

**AVOID A FIRE SALE.** If you don't develop a succession plan, your collection could ultimately be carved up at an auction or disappear into eBay's (EBAY) maw. "A hastily arranged auction sale can lose up to 70% of the value of the collection," says Mendelsohn, who wrote the book *Life is Short, Art is Long: Maximizing Estate Planning Strategies for Collectors of Art, Antiques and Collectibles* (Wealth Management Press, \$24.95).

Norma Canelas-Roth and William Roth of Winter Haven, Fla., have been donating their artwork to museums for two decades. But they have seen other



### *Keeping Your Collection Off eBay cont'd*

collections decimated because the owners never bothered to plan. At the moment, Canelas-Roth, an art historian, is particularly upset about the fate of a spectacular Chinese snuffbox collection that her close friends' children are trying to dump for quick cash. "The collection should go to a museum, but now it will be a bargain-basement sale. It's very, very sad," she says. With some philanthropic planning, she notes, the children could have received "far more money" than they will now. Her friends could have pursued one of several strategies, including donating the snuffboxes to charity and using the tax savings to buy life insurance that would have provided more money than the sale of the collection.

**DON'T LOOK FOR ONE SOLUTION.** Many collectors gravitate to museums and universities because the tax proposition looks unbeatable. When making gifts of art to these "related-use" charities, the donor is entitled to deduct the works' fair-market value.

In cases where the gap between the cost basis and the current value is not large, you could give it to almost any institution you choose. That's because if you donate art to a charity that's not art-related, you receive a deduction based only on what you paid for the work. If you're taking the nonrelated route, consider giving the art to one of the donor-advised funds run by community foundations. In that case, the work will be sold and you will be able to distribute the proceeds among many worthy causes.

**CREATE A CATALOG.** This isn't for vanity. "It's wise to have a catalog prepared well in advance of death to make sure the provenance is established and the history of the collection is included," says Jenny McCall, chairman of the estates, trusts, and tax planning group at Pillsbury Winthrop Shaw Pittman, a law firm in New York and Silicon Valley. Producing this glossy document with color photographs, collectors' recollections, and artist biographies can boost the value of the collection.

Lending art to museums may also enhance value. But it can put the works at risk. The Roths have had to restore prized pieces after dispatching them around the world. A valuable contemporary painting got wet sitting in a wooden crate at a German airport, sculptures have been damaged, and African masks came back from an 11-city tour with beads missing.

**DON'T BE SNEAKY.** Some collectors tell their children in advance who can take what valuables. When the parents die, the children carry their bequests out the door and hope the Internal Revenue Service never catches on.

Mendelsohn recalls a family that tried to avoid estate taxes by keeping three magnificent pieces of antique furniture under wraps. The two daughters sold their pieces to a New York dealer and each pocketed seven figures. But when the son tried to sell his through the same dealer, he learned it was a fake. The brother is now trying to wheedle a share of what his sisters got for their pieces. If he files suit against his siblings, there's a good chance the IRS will learn of the dodge and audit the estate.

