

THE BRIDIDGE GROUP



“Collectors and their preferred charities need an advocate who knows how to lift art and collectibles out of the estate planning process, and treat them with the special handling every collection deserves.”

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Opportunities Charities Can Use To Increase Philanthropic Donations

1. Partner with art succession planning experts to help members optimize their art, antique and collections' values, thereby giving them more assets to leave to their heirs and preferred charity
2. Establish programs to educate members on how they can utilize their art, antique and valuables collections to raise funds
3. Keep members up-to-date on the latest tax codes that could affect their collections, and in return help your charity, through mailings and newsletters
4. Develop charitable touring "Museum Without Walls" for members' collections
5. Communicate to the advisory community that your organization may have the ability to accept gifts of art, antiques and collectables

Turning Collectors Into Philanthropists Instead Of Tax Payers

In 2006, Warren Buffet gifted \$37.4 billion to a charity. In the course of the estate planning process, Buffet is quoted as saying, “It [planning an estate] is a much tougher problem, frankly, than amassing money.”

The simplest, and most overlooked, lifetime planning technique is for collectors to create charitable gifting using pieces from their collection. An array of questions will come up when you begin speaking with your members about ways they can utilize their art, antiques and memorabilia collections to fulfill their philanthropic intentions. But a well-educated charity understands that by partnering with a team of art planning advisors the process can be smooth and quite profitable for both the charity and the donor.

The most obvious type of philanthropic donation is receiving all or part of an actual collection. Before deciding to accept an art donation, make sure you have all paperwork in order. Pieces must have a qualified appraisal, all title issues must be resolved, and an agreement with the donor must be formalized.

If the time comes that you no longer wish to keep the donated art, you can work with the donor, or their estate, to decide the best way to divest it. It is critical to remember that donated artwork should not be sold for a period of three years in order to protect the tax deduction for the donor.

The advisory team can develop the proper charitable trust for the collector/philanthropist. Appreciated pieces of art can be gifted to this trust and then sold. The donor will get tax deductions, income from the trust and you, the charity, will receive the equity of the trust in the future.

There are also other ways collections can be utilized for philanthropic purposes. Financing is the new option for donors wanting to unlock the value of their appreciated art assets without giving away or selling the collection. The donor also receives current income tax deductions, which can increase the amount of money they are able to contribute. Collectors who purchase charitable annuities can, in effect, pay themselves and the value of the annuity ultimately goes to your organization. This also creates a greater inheritance for the donor’s heirs which allows the value of the artwork to be left to their favorite charity.

Another option that collectors have is something that The Bridge Group utilizes called a “Museum Without Walls” or Family Philanthropic Art Lending Library. Using this program, collections can become part of exhibitions that tour various venues that raise funds for charitable institutions. For instance, imagine if the Jackie O collection was coming to your town and all proceeds derived from the opening night party and ticket revenue went to help the local chapter of the Ronald McDonald House. The “Museum Without Walls” allows a collector’s heirs to run exhibits, create a family art legacy video, and build philanthropic income for future generations. The donor also enjoys a current income tax deduction and saves on estate taxes, leaving them with more income to potentially donate.

While receiving a donation of an art, antique or memorabilia collection can be both aesthetically and financially appealing, there are a few things that you need to be aware of before you accept any gift.

It is important to remember that your potential donors have put a great deal of love and time into building their collections. If and when the time comes to start de-accessioning assets, you might ruffle a few feathers if you have not planned properly. The Metropolitan Museum of Art in New York, for example, has a longstanding policy of consulting with a donor before selling a piece it has received in the last 25 years. However, in 2006, they had a bit of a mishap when the museum consigned an Eduardo Chillida sculpture to Sotheby’s without consulting with the donor. When the donor learned the piece was being sold, he was highly offended and went straight to the media to complain. The Met withdrew the sculpture from auction, but not in time to avoid criticism.

You also need to keep in mind that while the condition of a donated piece must be examined, it must also come with a clean chain of ownership and a well-documented paper trail. Issues of origin and authenticity, tax liens, criminal investigations, and claims from foreign nations or previous owners are sometimes out there waiting to cause trouble. Without the paper trail, institutions are running the risk of showing a forgery or possessing something removed illegally from another country or that rightful heirs are searching for. Currently, this is a major issue with Nazi-purloined art coming into the market from South America. Archeological pieces purchased illegally through private transactions in Guatemala, Italy and Egypt. Institutions should be concerned with any piece that has unexplained gaps in its history. If there is even a remote chance that the provenance or authenticity is in question, the gift should not be accepted.

Working with a team of art planning advisors will assist your donors who collect in making informed decisions regarding their art holdings, leave more to their heirs, create a legacy and allow the value of the collection to benefit the charities they support.