

## What is Art Succession Planning?

### Art Succession Planning

Art succession planners become a member of the collector's advisory team—which is generally comprised of the attorney, the CPA, the investment advisor/financial planner, the insurance professional, and the appraiser or dealer. Ideally, the art succession planner is brought in during the estate planning process when the team is planning for the disposition of all the rest of the collector's assets—real estate, stocks, retirement accounts, business interests, planes, boats.

Many professional advisors forget to ask their clients about what is hanging on their walls, stored in their attic, or sitting on their bookshelves. The problem occurs when the probate attorney discovers \$30 million in art that was never planned for and has passed to the decedent from previous generations without proper transfer documentation. The statute of limitations on tax fraud never expires. The penalties and interest accrue from the time of the unreported transfer. This is a problem for the family as well as the advisor who failed to inquire about the personal property assets.

If the art succession planner is brought in during the estate planning process there are many options available for the disposition of the art, depending on what the collectors want to do with it. Do they want to give the valuable to a museum, to their college, to the community hospital, or to their kids? Do they want to exhibit the collection and have it tour the world?



Do they need to sell some pieces off to raise some cash for living expenses? Does the planning team need to create a stream of income for the surviving spouse? Do they have a capital gains problem that needs to be addressed?

Sometimes Bridge must negotiate with the museum or the planned giving person at the hospital or college. Often Bridge must locate the right auction house, set reserves, negotiate consignment agreements, or find the right dealer who specializes in a certain type of art. Other times Bridge must locate conservation or restoration experts or deal with authentication problems and chain of titles issues. The art succession planner works with the advisory team to formulate a strategy to address these issues and then assists in the implementation so that the objective is fully realized.



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## What is Art Succession Planning cont'd

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Briddge typically works closely with the estate planner because he or she is unfamiliar with this asset class and does not know where to go to get the necessary information to do proper planning. Estate planners understand stock, real estate, and partnership interests. But they cannot differentiate a Rothko from a Degas, and they know nothing about porcelain or textiles or 35 mm film or medieval manuscripts or arts and crafts furniture. They do not know how to value it or document it. They have not been trained to think of these items as an asset class. The art succession planner makes sure that the value of these assets is not only preserved, but transferred to the collector's beneficiaries in keeping with the collector's intentions.

If the collector dies without having properly planned for the disposition of the collection, then the art succession planner is brought in to do damage control. In a postmortem fact pattern, the art succession planning firm does everything they can to preserve the value of the collection, minimize the tax liability and transfer as much wealth as possible to the beneficiaries. The options in this situation, however, are not as extensive as when the collector plans during his or her lifetime. The art succession planner's goal in this case is to minimize the loss of value given the less than ideal circumstances and work with the probate attorney to create a source of funds to pay the tax liability without completely destroying the collection's intention.



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