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Smart Estate Planning for Car Collectors

by Ken Gross





Antique Automobile Club of America Museum, Hershey, Pennsylvania

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Ken Gross



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He wrote *Hot Rods and Custom Cars* and *Los Angeles and The Dry Lakes* (featuring the photography of the late Strother MacMinn). Other books include the IAMA award-winning *Art of the Hot Rod*, *Milestone Hot Rods*, *The Illustrated BMW Buyer's Guide* and *Ferrari 250GT SWB*. He has won the 2009 IAMA Lifetime Achievement Award, the 2009 Lee Iacocca Award, the 2008 Washington Auto Press Golden Quill Award, the Society of Automotive Historians' Cugnot Award, and The James Valentine Memorial Award for excellence in automotive historical research.

Working with WATV Productions in Los Angeles, Gross wrote *Behind The Headlights*, a 12-episode historic SPEED/TV program. He appears on ESPN/2 TV as color commentator during RM Auctions. Gross was co-curator for "Allure of the Automobile," which was shown at the High Museum of Art in Atlanta in 2010, and has just completed a book, *The Allure of the Automobile*, to accompany the exhibit. In 2007 he helped curate "Curves of Steel" for the Phoenix Art Museum.

Gross has judged at the Pebble Beach Concours d'Elegance for 20 years, and also judges at Amelia Island, Kirkland Island, Meadow Brook Hall and the Louis Vuitton Concours. He was the chief judge at the Rodeo Drive Concours.

Formerly executive director of the Petersen Automotive Museum in Los Angeles, Gross presently consults for the Saratoga Automobile Museum, Saratoga Springs, N.Y., the High Museum of Art, Atlanta, and the Utah Museum of Fine Art in Salt Lake City.

Gross has been a jurist for the North American Car of the Year since the award's inception. He was chairman of the Meguiar's Award for 10 years, honoring the Person of the Year in the collector car hobby, and he is a juror for the International Engine of the Year.

Gross lives in Hamilton, Virginia with his wife, Trish Serratore, senior vice president of ASE (The National Institute for Automotive Service Excellence), and their children, Jake and Kayla. He has two older sons, Chris, who is lead singer of the Platinum Award-winning rock group "Spin Doctors," and Jeremy, a computer systems analyst.

Foreword

Ultimately, I plan to donate certain cars to a museum. Although I basically consider myself an enthusiast, as collectors we share a passion. We hope to live a long time and enjoy these cars. So this is one of the least-addressed issues in the collector car hobby.

– Bruce Meyer, Beverly Hills, California



Heacock Financial is offering a great program. They can help you assess your collection, make the right financial plans, and create a charitable remainder trust that could save you and your heirs a great deal in estate taxes.

– Don Sommer, Clawson, Michigan



The Difference Between Legal Tax Avoidance and Illegal Tax Evasion:
“Anyone may arrange his affairs so that his taxes shall be as low as possible; he is not bound to choose that pattern which best pays the treasury. There is not even a patriotic duty to increase one’s taxes. Over and over the courts have said that there is nothing sinister in so arranging affairs as to keep taxes as low as possible. Everyone does it, rich and poor alike, and all do right, for nobody owes any public duty to pay more than the law demands. Taxes are enforced exactions, not voluntary contributions. To demand more in the name of morals is mere cant.”

– Hon. Learned Hand, U.S. Appeals Court Judge
Helvering v Gregory, 69 F.2d 809 (1934)

Introduction

Have you thought about what will become of your collector cars after you die? You should. Ask most car collectors – and we’ve asked many – if they’ve made formal plans to dispose of their vintage cars, motorcycles and ephemera after they pass away, and you’ll find most of them simply haven’t done so.

It’s human nature to think we’re immortal, and tough to face the fact that one day we won’t be around, and our spouses and heirs will be left to dispose of, fight over or even worse, dump our beloved old cars, memorabilia and motorcycles because they haven’t a clue about what to do with them. And there are potentially crippling tax implications. Lacking a pre-arranged plan, Joe Robbie’s family had to sell his Miami Dolphins football team and their stadium to Wayne Huizenga for a fraction of their value, just to pay the estate taxes.

If you think that can’t happen with your car collection, think again.

It’s the rare individual over age 50 who doesn’t have a will today. But collector vehicles, spare parts, auto memorabilia and books are usually lumped into a general paragraph or two about special personal property. If that’s the state of your will, you’re doing yourself and your heirs a huge disservice. After you’ve gone to the trouble of locating, possibly restoring, and certainly caring for your vintage car collection and everything that goes with it, you should create a definitive plan to sell, dispose of, or equitably distribute it after you’re gone.

While you’re pondering that, consider what can happen when plans aren’t made in advance.

Jim Taylor has more than 80 cars in upstate New York. “Of course, I have life insurance,” he said, “but I haven’t done a damn thing about disposing of my cars. My kids may not be able to keep them; they may not want to. And my priority these days is my business. As long as I’m in good health and I’m able to enjoy my cars, I haven’t worried about it. I know I should do something, but...

Al Mason, a retired northern Virginia collector, has 10 cars housed in a custom garage he jokingly calls, ‘the barn.’ Equipped with two professional lifts, a downdraft paint booth, and every conceivable tool, it’s the perfect place for Al to work on his current restoration, a 1929 Auburn speedster.

“I just turned 65,” he notes. “Barb and I know we’ve got to do something about a plan for the cars,” he confessed. Two of his young grandchildren, Mason and Caroline, are budding car enthusiasts. “But if the others aren’t,” Al says, “how can I devise an inheritance plan that’s fair to everyone?”



A Poor Estate Plan

Enthusiasts still talk about William Fisk “Bill” Harrah, the Nevada casino magnate who assembled more than 1,600 cars for his collection, which included two Bugatti Type 41 La Royales, a huge museum, library, and a restoration facility in Reno. Harrah, at 66, entered the Mayo Clinic for a complex operation for an existing aneurysm, and died in the hospital after a second operation failed. Bill Harrah had a will, but to the shock of the collector car community, he did not own “his” cars. The collection belonged to the Harrah Corporation. Harrah left no specific provision for their disposal, and his heirs faced a monumental estate tax bill.

In 1980, Holiday Inn Corporation purchased the Harrah properties, including the entire car collection and its assets. Mead Dixon, Chairman of Harrah’s Corporation, paid off the heirs and disposed of most of the collection. Noted East Coast collector and author, Joel Finn, established a 501(c)3 non-profit foundation and converted as much of the car collection assets to it as Holiday Inn would allow. About 200 of the best cars were retained, along with the library, but hundreds more great cars were sold, dispersed, and what’s now known as the National Automobile Museum, in Reno, NV, struggled for years before it attained financial solvency.

Bill Harrah could have made arrangements in advance to keep the core of his extraordinary collection in a facility that would have been financed by the sale of his casinos. While a few collectors benefited because they were able to acquire some exceptional Harrah cars, the opportunity for the public to see even more of these meticulously restored treasures, under one roof, was lost forever.



Automobiles as Fine Art

In an interview many years ago, Ralph Lauren referred to his collection, which included Ferraris, Bentleys and Bugattis, as “rolling sculpture.” It’s not a far-fetched notion. There are many parallels in the world of art collecting. Historic auction houses like Christie’s, Bonhams, and Sotheby’s modeled their classic car sales after their art auctions. Today, RM Auctions, Gooding & Company, Bonhams and even Barrett-Jackson basically sell historic and special interest cars, motorcycles and automotive ephemera the same way... with an auctioneer, ring men and women, telephone bidders, and all the accoutrements. At Monterey in 2010, five auction firms racked up record-setting sales of more than \$172 million in three days of frenzied bidding.

It’s important to distinguish between investors, those people who buy art (or vintage cars) with the intent to make a profit on their sale, and collectors, who want to acquire and preserve art or, in this case, notable vintage road-going cars and racers. There’s a key tax distinction, as well. If you are considered an investor, and you sell your cars, you’ll pay a 15 percent capital gains tax; true collectors of tangible property like fine art (or fine automobiles) are taxed at a much higher 28 percent capital gains rate. The IRS looks at the length of time you’ve owned these cars, the awards you won, and how often you have shown your collection. By their definition, you’re really not an investor – you’re a collector.

Here’s a mistake that’s commonly made: With a collectable art object, such as a valuable portrait or landscape, surviving heirs may simply decide they’d like to continue to retain it and display it. That’s relatively easy with a painting, after ensuring it’s insured and safely hung in a climate-controlled secure space, but automobiles require ongoing, skilled mechanical, interior and exterior care. A collector car needs proper storage facilities. Moreover, without expert maintenance, the vehicles in question may deteriorate and lose value.

After its owner passes, a valuable painting or sculpture is moved to the heir’s location; perhaps it’s been overlooked or (more likely) it’s intentionally not been included in the estate disposition. But one day, another succeeding heir decides to sell the object. Suddenly there are tax implications stretching back to when the piece was acquired. A cost basis must be established. Stiff IRS penalties for tax fraud can be the inevitable result. Even worse, family feuds are not uncommon when people feel that one heir has taken advantage of other inheritors.

Why An Estate Plan

In many cases, survivors simply don't share a collector's passion for special assets like vintage cars, and they may simply want to 'cash out,' possibly in a hastily-arranged auction. This process, when undertaken by the uninitiated, unwary and unconcerned, could result in a financial disaster for your family, not to mention the breakup of a wonderful collection. For any collector who wants the fruits of a lifetime of collecting to remain intact, there's a need for sound, well-considered advanced planning – and it's imperative that heirs understand the intentions.

Whether you have a large collection or just a few cars, if you don't have a specific written plan, your heirs may not know how to effectively dispose of your property and/or who to contact for assistance in retaining or selling it. They will be burdened with a complex financial issue when they are least prepared to handle it. Even more importantly, there are laws stipulating that estate tax disposition must be made within a relatively short time period or penalties will ensue.

There may be huge financial implications for your family. In the case of valuable cars and automotive-related art and artifacts, heirs will need to know what they have, what it's worth, its cost basis, and how to keep and maintain it or properly dispose of it. They may not feel as emotionally attached to the cars and automotive ephemera as you do, but they have a vested interest. Most people want to do the right thing, and no one consciously wants to act hastily or foolishly.

A well-written, professionally-developed, comprehensive plan for your automotive collection, one that you discuss with your heirs in advance, will provide loved ones with the tools they'll need to carry out your wishes and effectively handle this burden.



Case Studies

All is well that ends well.

Mr. and Mrs. Roberts have collected seven vintage automobiles for about 25 years. Most of the cars have appreciated nicely during the years and they have extremely low cost bases. The vintage automobiles are valued at approximately \$4.5 million. The Robertses have three children. One likes the collector car hobby and the other two don't share the same passion. The Robertses' net worth totals \$7 million with other investments, real estate, and retirement accounts. They have done some trust work with their local attorney.

The Problem: Because of the appreciation of the vehicles, it has now become a major portion of their estate. They still enjoy the cars and don't want to sell them, but are seeing some issues because two of their three children don't want the cars. How do the Robertses distribute the estate equally to their three children when the cars comprise close to 65% of their estate value? In addition, the retirement accounts and real estate (depending on the type) may be subject to income taxes upon liquidation. In a perfect world, it would be nice to give the cars to the child that wants them but there are not enough assets left over to make the distribution to the other heirs fair. In addition, even if there were other assets available equally, consideration and planning needs to be made for the assets the others receive. In a retirement account (IRA, 401(k), 457 Plan, Profit Sharing Plan), taxes may have not been paid on those accounts yet. And at the end of the day, the heir who receives the plan may only receive a portion of the projected amount. The real estate, even though it may be subject to a step up in cost basis, may also be subjected to depreciation recapture if the property had been depreciated during the Robertses' lifetime.

When the Robertses originally met us they felt pretty comfortable with their estate plan because of their talks and meeting with their attorney. But after we addressed these issues they realized there was plenty more work to be done if they were going to make a true equitable distribution of assets. Lastly, the Robertses realized that their estate plan did little to help save on taxes, costs, and liquidity issues.

The Solution: We developed a comprehensive estate plan for the Robertses that helped to address liquidity issues, prevent additional taxes, and allowed the one child who was enthusiastic about the hobby to inherit his favorite cars. We created a fair and equitable distribution to the heirs and even helped to fix a few problems the Robertses didn't know they had.

It is not my passion.

Mr. and Mrs. Jenkins have been married for 10 years and both have two kids from previous marriages. Mr. Jenkins doesn't have anyone to leave the cars to as his wife and kids do not want the cars when he passes away. At 72, Mr. Jenkins would like to continue to enjoy the car hobby for as long as he can, but he is also aware at some point he won't be able to continue. Mr. Jenkins has other assets and a business interest as well, and his total estate is valued at close to \$10 million. Mr. Jenkins intends to make sure his wife can maintain her current lifestyle and leave something to his spouse's children, but the majority of the estate was created before he was remarried and feels those assets should go to his own two kids. Mr. Jenkins' six cars are valued at more than \$4 million and have a very low cost basis.

The problem: Mr. Jenkins is aware that if he were to sell any of the cars today he could be hit with capital gains and state income taxes greatly diminishing the amount received from the cars. In addition, he still wants to enjoy them, but realizes his wife and kids are not very savvy when it comes to the cars. If they were to sell them when he passes away, they may not get anything near their value. Mr. Jenkins hasn't done a recent appraisal and is not aware of how the vehicles are titled. Lastly, his wife and kids do not know how to maintain and/or care for the cars. If it took some time to sell them, they wouldn't know how to keep them in proper working order, thus diminishing their value. The last issue the Jenkins family faces is that this is a second marriage and, while both spouses love each other implicitly, they both want to make sure the assets they brought into the marriage goes to "their" respective children eventually. Both spouses want to make sure the other spouse is cared for in the event of their passing.

The solution: Mr. and Mrs. Jenkins hired us to develop an estate plan. With their approval, we had their attorney draft documents ensuring that while the spouse was to receive an income stream, they were not going to invade principal and eventually all of the principal would go to their respective children. In addition, we advised them to hire a fiduciary specialized in distribution of the automobiles. This helped to ensure not only that the estate will receive fair market value for the cars, but that the cars would be safe and well cared for. Upon the death of Mr. Jenkins, we would develop a strategy for selling the cars and provide Mrs. Jenkins with an income stream. In this scenario, we were able to accomplish many of the goals originally set out by the Jenkins family.

Man can't live on cars alone.

Mr. and Mrs. Smith had owned four cars for quite a long time. Like most people who have been collecting rare automobiles, their cost basis in the cars was low. With the economy being the way it was, the Smith's income from their investments had deteriorated. In addition, the costs of attending car events was taking its toll.

The Problem: Mr. and Mrs. Smith don't have any heirs they would like to leave the cars to. While they still want to attend car shows and continue the upkeep on their cars, they were running out of resources. In addition, the Smiths hadn't done any planning on where their collection will go when they pass. Lastly, the Smiths lived in a state with significant income tax. If they were to sell their cars, they would pay capital gains tax on both the federal and state levels, in addition to possible auction fees of 10%. All told, capital gains, taxes and fees and expenses from the sale of a vehicle could equal close to 50% of its fair market value.

The Solution: We developed a comprehensive plan that included some philanthropic planning. When the Smiths pass, the cars and their estate will go to the charity of their choosing. In addition, we recommended several philanthropic plans in which the Smiths can sell one of their vehicles without paying taxes (state or local). We then set up an income stream for them so they can continue to attend car shows and show their remaining three cars. We helped the Smiths' create a plan designed to maintain their lifestyle while creating ways for them to help their favorite charities in the future.



The situations detailed above are examples and are not intended as investment advice. Please consult your financial advisor if you have questions about these examples and how they relate to your own situation.

A Successful Estate Plan.

The late J.B. Nethercutt, founder of the famed Nethercutt Collection in Sylmar, California, and a four-time Pebble Beach "Best of Show" winner, took a studied approach. In 1999, when Nethercutt opened the newest wing of his 300+-car museum, he told an assembled crowd that he made funding provisions for his collection 'in perpetuity.' But it's impossible to predict the future. His statement failed to consider the full cost implications of his intended plan. Today, although maintaining the collection requires some fund-raising, and a few excess cars are being sold, J.B.'s son Jack Nethercutt and his wife, Helen, maintain the Nethercutt Collection, they compete at major concours d' elegance all over the U.S., and their fine restoration shop maintains the highest standards. J.B. would no doubt be pleased.

Good Intentions

Need to be formalized



Many collectors already know what they'd like to do with their collections, but often haven't formalized arrangements. "I don't want my unique and important cars, like the Pierson Brothers '34 Ford coupe, the Grier-Black-Prudhomme dragster or the So-Cal Speed Shop Belly Tank to be hidden away," says noted hot rod collector, Bruce Meyer of Beverly Hills, California. "Ultimately, I plan to donate those and possibly others to a museum. Although I basically consider myself an enthusiast," he says, "as collectors, we share a passion. We hope to live a long time and enjoy these cars. So this is one of the least-addressed issues in the collector car hobby."

Al McEwan, organizer of the annual Pebble Beach Tour, is still considering what to do with his five classic cars. "I don't have a formal plan yet, but it doesn't mean I haven't thought about it," he says. "My kids know the old cars have value," he adds, "but they're not interested." McEwan is considering using the sale of a vintage Bentley to help pay for college for his grandson.

Fred Simeone, a Philadelphia neurosurgeon, has an extraordinary collection of race-winning sports cars, housed in a dedicated facility near the Philadelphia airport. Ross Myers, a Pennsylvania construction company owner, owns a restored factory that's chock full of famous muscle cars and hot rods. Both men have set up 501(c)3 non-profit foundations and established dedicated museums to display their acquisitions. They took great pains to seek out and buy these special cars, and they want to keep their collections intact for future generations to see.

The late Otis Chandler, owner and publisher of the *Los Angeles Times*, amassed a superb collection, housed in a private museum in Oxnard, California. A knowledgeable enthusiast, Chandler's keen interest in vintage motorcycles, brass-era vehicles and muscle cars, as well as fine classics, literally drove the hobby values. If Otis were interested in a particular type of vehicle, he'd always find the best example. Not surprisingly, values increased. After his death in 2006, his wife, Bettina, engaged Gooding & Company to sell Otis's collection. David Gooding wrote, "...he built up several collections, enjoying the cars to the fullest extent and then selling them so that others may enjoy the pieces of history that he considered himself a caretaker of, for just a while."

Peter Mullin, a prominent Los Angeles collector, purchased the building in Oxnard, California that once housed Chandler's cars, opening The Mullin Museum in spring 2010 to celebrate the art deco movement and display his 100+-car collection, featuring some of the finest French classics in America. Mullin transformed the building, made it energy-independent, replicated the 1930s-era Paris Auto Salon's décor and columns. Along with his cars, which are mainly Bugattis, he's displayed his rare collection of Carlo Bugatti's furniture and Rembrandt Bugatti's sculpture. It's a perfect fusion of art, architecture and automobiles. "My wife, Merle, and I think of ourselves, not as owners, but as custodians and shepherds of these works of art..." says Mullin. "Our test for ourselves is to make sure that we leave these exemplary automobiles better than when we found them."



Getting Started

You don't have to be a major collector to be challenged with what to do with your cars and related items after you die. The tax laws involve everyone, whether you're wealthy or not. In his Collier Collector Car Symposium a few years ago, Miles Collier, founder of the Collier Museum, Naples, Florida, counseled attendees, many of whom had no plans for the future and their eventual passing.

Obtain an appraisal.

Have your collection professionally appraised so that your heirs understand its importance and value. You know all about your cars, but your family probably doesn't. Collier suggests looking at your car(s) as one of many assets, as you would real estate, financial investments and other valuables. His advice is to determine if your collection "...represents a threat to other assets through cost of maintenance or estate or gift tax incursions." Then decide whether the collection is as important to your heirs as it is to you, and whether your estate can afford to keep and maintain the vehicles.

It's important to actually confer with your spouse and heirs to be sure that they know the location of the appraisal documents, titles, maintenance files, and spare parts for each of your vehicles. Update appraisals every five years. (This fee may not be as much as the original appraisal.) Automotive art and related objects like hood ornaments, signs, books and brochures should also be appraised.

Prepare a succession plan.

Prepare a succession plan considering these three alternatives: a gift to charity, family succession, and selling the collection.

If donating the cars to charity is your choice, be aware that you can make those provisions with retained interest before your death, or you can specify a charity in advance and then donate the cars or the proceeds from their sale. When Gooding & Company sold Peter Williamson's Bugatti collection in 2007, it was announced beforehand that a portion of the proceeds would benefit the Dartmouth-Hitchcock Medical Center and the Dartmouth Medical School, which may have encouraged the charitable bidding to go higher.

If you're considering family succession or keeping the collection together, consider the cost of ongoing professional management, maintenance and upkeep as well as the eventual intentions of the next generation who will inherit your property. Ken McBride, a Seattle-based collector with several dozen cars said, "I don't want my wife and kids to have to maintain my collection, keep the garage

open and pay the salaries of my two mechanics. So I've told them each to pick one car they especially like and I've left a directive to sell the rest."

Selling your cars and making arrangements in advance is a common route. Before his passing, knowing he suffered from terminal cancer, Peter Williamson and his wife, Susan, met with David Gooding to establish arrangements for his extraordinary Bugatti collection. After Williamson died, the cars were sold at Pebble Beach for top dollar, benefiting everyone and ensuring that a new generation of Bugatti enthusiasts will be able to enjoy them.

Miles Collier suggests you may wish to specify a buyer who epitomizes your goals for your collection. If there's someone you don't want to have your cars, this is the time to identify him. By detailing a will with specific instructions, you can control the liquidation or the transfer of your cars after your death.



Establishing a cost basis.

You must establish a cost basis for your property. Estate taxes are complex and, as this is written, there's a strong possibility that the tax rate, if not some rules themselves, will soon change. Changes in tax laws may occur at any time and could have a substantial impact upon each person's situation. You'll need to consult with your tax advisor and attorney before acting, but the fundamentals are basic: The price you paid for an old car, no matter how long ago, is the cost basis. To establish its current worth for tax purposes, you can deduct maintenance and restoration expenses, if you have kept careful records.

"A friend bought a Rolls-Royce 40 years ago for \$3,000," said Ken McBride, "and basically just maintained it. He recently traded the Rolls for a Mercedes-Benz 300SL gullwing that's now probably worth \$600,000. But the cost basis for that sale is still \$3 grand." A competent tax attorney can help you with these calculations.

Tax implications can be a real challenge for unwary heirs. Active collectors sometimes trade old cars without changing titles or formally registering them, thus avoiding sales tax. Having the original owner's name on a title is arguably valuable, but makes it that much harder to establish the real cost basis. Be sure to keep track of any such activity so that when the time comes to sell, you or your executor can accurately determine what may be owed.

Ephemera: How to deal with rare items.

Don't forget memorabilia and petroliana. "I have over a dozen big neon signs," Ken McBride noted, "a complete collection of *Automobile Quarterly*, as well as many original brochures and books. With many enthusiasts," McBride added, "there's a fine line between being a dealer, an investor or a collector." It's important to document the cost basis and know the value of what you have accumulated. That ensures your heirs will get top dollar when the articles are sold."

Knowledgeable appraisers for petroliana and memorabilia may be individuals with very different skills than recognized auto appraisers. Be sure to designate who you'd like to appraise your collection. Even better, have a preliminary appraisal done, with a photographic or videotaped record of each item. When it's time to sell, your heirs will know the value of their inheritance.

"I started building my car collection as a testimony to my success," McBride continued, "but it morphed into being about the camaraderie and the events. One of the cars in my collection is a 1940 Dodge that I've had since I was a kid. That car doesn't mean anything to anyone else. I can't pass along that experience to my kids, so that won't cause my son to keep it. And if I leave a \$500,000 Ferrari Superamerica to him, he may not be able to insure it or maintain it, let alone pay the estate taxes on it, so that's not fair."

“There are really two forks in the road for most collectors,” McBride says. You can leave very specific directives, or you can educate your spouse. Luckily, I have ‘the car wife extraordinaire,’” he says. “She has a competition racing license; she was clocked at 137mph in our 410 Superamerica on the Colorado Grand, and she’s always been involved in the hobby. Patty and I have shared a lot of restoration decisions, not just colors and interiors. She’s emotionally invested in these cars, and (aided by my directive) she’ll know the right thing to do.”

A year after we talked with Ken McBride, he was diagnosed with terminal cancer. After a courageous battle, and maintaining his delightful sense of humor until the end, Ken passed away in April 2010. He was just 59 years old. His family has sold a few of his cars and plans are being made for further disposition. An energetic collector and devoted family man, McBride will be fondly remembered. The lesson here, sadly, is that we cannot predict the future, so intelligent estate planning should begin early.



Essential record keeping.

Savvy collectors maintain a comprehensive file on each of their cars, and they keep these files in a safe, fireproof place that's known to family members and heirs.

The file on each car should contain the following:

- a valid title
- a copy of the registration, and the license plate numbers
- the original sales documents, bill of sale, etc.
- a copy of the current insurance policy
(helpful in the unlikely event the collector perishes in an accident in that car)
- all the restoration and service records, and an owner's manual
- the specific drill for starting the car and pertinent maintenance requirements
- a list of sources for spare parts and mechanical work
- the latest appraisal (and all previous appraisals)
- photos of the car before the work was done and afterward

These files will be invaluable in helping to establish the cost basis for the car. The title is essential should the vehicle need to be sold, and the other information will ensure that whether the car is kept or sold, someone will know how to maintain it. For petroliana and memorabilia, a clear photograph or two, a complete description, the appraised value, and the name/phone number of a reputable dealer will suffice. Some collectors have created a dated, narrated videotape of their collections. This doesn't have to be commercial quality, but it should clearly identify the cars and the objects, while the collector speaks about their worth. For your library, a complete list of the books is essential. Many older, long-out-of-print volumes are worth far more now than the price on their dust jackets. Sales brochures have increased geometrically in price over the years. Autographs can change the value of a piece. Provide the name of a reputable literature dealer so that your heirs can receive their full value, or you can designate a library to receive them.



Living trusts and personal museums.

The establishment of a “living trust” for real estate assets, selected investments, automobiles and other special items has become a popular and legal way to reduce taxes for your spouse and heirs. Consult a qualified tax attorney before executing such a plan. In basic terms, the trust “owns” your collector cars while you are alive. When you pass on, succession can be clearly defined and taxes can potentially be less. Charitable remainder trusts allow you to benefit from the value of your collection while you’re alive; after you pass away, the collection reverts to the charity.

As noted earlier, some enthusiasts with large, valuable collections have established personal museums with foundations that qualify as legitimate 501(c)3 charitable institutions. If you believe you qualify for this approach, discuss this option with your tax attorney. You may be able to create a dedicated museum building to house your collection, open it in a limited way to the public, keep it maintained for as long as you and your heirs want or can afford, and facilitate its eventual disposition.



Following Through

to a successful conclusion.

Whether you place your vintage cars and ephemera in a family trust, leave specific instructions in your will for them, or establish a specific directive for the immediate disposal or continued maintenance of your collection, this is a complex matter. You may decide to sell some of the items in your collection beforehand in order to be able to keep more valuable and desirable pieces. It's important that you write a draft of your intentions, and then consult your legal and financial advisors and your accountant to ensure that what you want to achieve is actionable and practical.

If you discuss your plans with your heirs and then formalize the plan in a legal document such as a will or a trust, you can be sure your cars and the rest of your collection will survive or be disposed of as intended, with less uncertainty/confusion for your loved ones. You could also possibly minimize their tax burden.

John O'Quinn, a noted Houston, Texas litigator and owner of one of the largest car collections in America, perished in a single car accident in November 2009. As we went to press, his collection was being sold in selected lots of 25 to 50 by several major auction houses. When he was alive, O'Quinn indicated that he wanted to create a spectacular museum. But none of us are immortal. Like many of Bill Harrah's cars, O'Quinn's classics are being dispersed throughout the collector car community. In lieu of a cohesive plan, O'Quinn's dream of a museum was never realized.

It's often said, "we're just the caretakers of these cars. They will survive us." Formulate a plan for your collection, large or small. Take the proper steps to legalize it, and enjoy your cars while you can. One collector who understands the need for assisted specialized planning is Don Sommer, one of the founders of the Meadow Brook Concours d'Elegance and a longtime supplier to the classic car community.

Heacock Financial is offering a great program Sommer says. They can help you assess your collection and make the right financial plans that could save you and your heirs a great deal in estate taxes. I talked to a fellow collector who owns more than 300 cars. He's 86 years old and he has no plans for his collection. When he dies, it'll be a mess. I've recently been ill and I consider that a wake-up call. I decided not to wait.

Heacock Financial can help you create a plan to avoid any confusion with accountants and lawyers who don't understand car collecting.

Heacock Planning Group Philosophy.

Heacock Financial offers a new service to help collectors develop comprehensive plans for special assets like car collections. Whether you'd like to pass on your collection to heirs, minimize taxes or create philanthropic opportunities with maximum impact, Heacock Financial can help you.

- We believe collector car and memorabilia collectors need specialized advice for the “Special” assets, which are often overlooked or misunderstood by trusted advisors (attorneys, CPAs) as part of traditional estate planning.
- Heacock Financial is an independent financial planning firm that provides financial and estate planning services for these “Special” assets.
- The vast knowledge, experience, and aptitude of the individuals who make up Heacock Financial and our strategic partners are what set us apart and allow us to fulfill a specialized niche. Our goal is to educate collectors and their trusted advisors so that these assets will be treated and valued as they should be, “special.”
- Heacock Financial believes they can help clients achieve their goals by truly understanding who they are, what they care about, and what they are trying to accomplish.

Services provided by Heacock Financial:

- Help clients develop a formal succession plan.
- Work in conjunction with clients' other trusted advisors (attorney, CPA) to identify tax avoidance strategies regarding income and/or estate taxes.
- Assist clients in converting collectible assets into retirement income.
- Help clients achieve philanthropic goals through charitable planning.
- Trust and executor services, through the Raymond James Trust Company

Call Heacock Financial to schedule a private consultation:
888-520-PLAN (7526) • www.HeacockFinancial.com



You've spent your life building your collection...

Now is the time that your passion for collecting
should be supported by long term planning.



Whether you'd like to pass on your collection to heirs, minimize taxes, or create philanthropic opportunities with maximum impact, **Heacock Financial** can help.

Know Your Options:

- How to potentially increase the present and future value of your collection
- The appropriate plan for creating a fair and equal distribution to heirs
- How to reduce or possibly even eliminate taxation on your collection
- How to coordinate succession planning with trusted advisers (attorney, CPA)

Heacock Financial can help you achieve your goals by truly understanding your individual needs and what you wish to accomplish.

Call us today for a private consultation.
888-520-PLAN (7526)



Heacock Financial

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