

‘TIS A PITY ABOUT BOWIE AND PRINCE’

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David Bowie and Prince were two of the most recognizable musicians who fell victim to the curse of 2016. Their respective estate plans (or lack thereof) are examples of polar opposites in estate administration and probate. It is typical for musicians to collect art and memorabilia throughout their career, spending considerable resources and time developing a collection according to their personal tastes. This article discusses the atypical situations faced by the families of these legends as a means of highlighting the importance of careful planning, even for those of us who may never be a Starman or drive a little red corvette.

Bowie was the poster child for mindful and responsible estate planning. His estate is valued to be worth more than \$100 million, and a portion of his art collection recently sold at Sotheby’s last November for approximately \$41 million. He and his attorneys created and funded a series of trusts that accounted for his estate-tax liability, art collection, memorabilia, and music royalties. Careful attention had to be given to the artwork chosen for auction due to tax implications and the wishes of his heirs on which works would remain in the family. Although Sotheby’s auction included over 350 works owned by Bowie, this is said to only comprise 65% of his total collection. In November of 2016, I was fortunate enough to meet with an estate and trust attorney at Sotheby’s who assisted with Bowie’s auction. It became clear after our conversation that Bowie’s specific estate plan and his proficient estate administrators enabled Sotheby’s to quickly organize and conduct a successful art auction within less than a year after his death.

David Bowie also devised a strategy to acquire all his rights to his music, and to easily transition that ownership to his heirs to further simplify his estate administration. In the ‘90s, Bowie struck a deal with Prudential Insurance Company of America to create “Bowie Bonds.” In exchange for \$55 million from Prudential and other investors, Bowie temporarily assigned his rights to future royalty payments for ten years at an interest rate of 7.9 percent. The royalties Bowie earned on his music portfolio easily covered the interest during the ten-year period, and the Bowie Bonds provided him with enough cash to buy out any rights owned by his former managers, ultimately assisting with the transfer of his music royalties to his heirs.

Unfortunately, Prince’s heirs will not have the same success as Bowie’s in the transition of his estate. Prince passed away without a will, and the battle over his assets will inevitably be extremely messy. He did not take steps to protect his property from estate tax, and it is still unknown who his heirs actually are. Prince’s estate is presumed to be worth over \$300 million, and filled with uncatalogued memorabilia, artwork, and unreleased recordings. Due to this haphazard collection, and lack of forethought, his estate will probably be subject to the 40% federal estate tax and an additional 16% estate tax for Minnesota.

The expected result of Prince's property disposition will be public fire sale auction, the proceeds of which will be used to pay off tax liabilities and debts. It is unknown if his heirs will have a say at all in what is or is not sold, or how they will determine equitable distribution of his property—will all the guitars, costumes, and gold records be split and valued equally? The IRS will also do its best to calculate the value of the Prince's future royalties of his music catalogue, his name, and likeness, and will likely propose an extremely high valuation, which will ultimately cost his heirs millions in litigation to contest. Had Prince looked to Ziggy for lessons in estate planning, his legacy might have been spared from all this loss and headache.