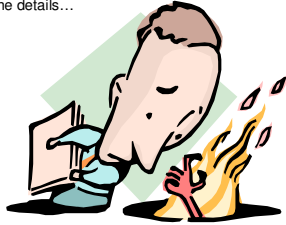


The Impact of Valuations for Estate Planning and Administration

The devil in the details...



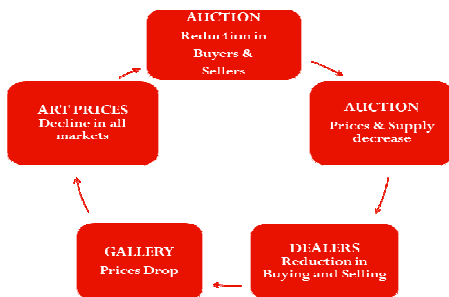
The Art Market in the news

- ***“If the art economy is as bad as it looks—if worse comes to worst—40 to 50 New York galleries will close.”***

Jerry Saltz, New York Magazine Art Critic, 2009



HOW TRENDS IN THE ART MARKET EFFECT VALUES?



Planning Elements

- Gifts
 - Charitable
 - Beneficiary
- Generation Skipping Options
 - Outright bequests
 - Tools of the trade
- Generation to Generation Transfers

Types of Tax Treatment

	Expenses	Losses	Sales-Gains
Dealer	Deductible §162	Deductible §165(c)(1) (ordinary loss)	Ordinary income (excluded from definition of capital gain as inventory under §1221(a)(1))
Investor	Deductible §212(1) and (2)	Deductible §165(c)(2) (capital loss)	LTCG taxable as collectible – 28% rate §1031 exchange possible
Collector	Nondeductible §262, §183	Nondeductible Rev. Rul. 54-268 Deductible §183(b) Casualty loss deductible §165(c)(3)	LTCG taxable as collectible – 28% rate Involuntary conversion – gain unless reinvested in "similar" property within 2 years
Creator	Nondeductible under §262, §183 unless in trade or business	Generally nondeductible §262 Deductible §183(b) Casualty loss deductible §165(c)(3)	Ordinary income §1221(a)(3) Exception: can elect capital gain treatment for sale of musical work or copyright in musical work for taxable years after 5/17/06

Appraisers – How do you know?

- Regulation is coming
- Currently no licensing requirement
- Criteria necessary for ensuring you have the correct capability:
 - USPAP certification
 - Industry certification
 - Real Estate – Yes
 - Personal/Collectible Property - No

The Treasury - IHS

- Role of Art Panel
- Highest value item impacts entire appraisal
- AAA – American Appraisers Association
 - Focuses on fine personal property
 - USPAP certification
- ISA – International Society of Appraisers
- ASA – American Society of Appraisers

THE JEWELRY DILEMMA



\$6,700 Retail



Art Deco double bird pendant \$30,000

Problems:

- Elevated valuations
- Fluctuating gold & diamond market
- Partial Replacement
- To Vault or not to Vault

CORPORATE COLLECTIONS

Asset or Decoration?

Problems with valuation

- Lack of understanding of the marketplace
- Poor cataloging and collection maintenance
- Over and underinsured



PERSONAL PROPERTY RE-VALUATION

Jewelry:

\$20,000 and over (annually)

Furniture & Decorations:

\$10,000 and over every 5 years

Fine Art:

\$50,000 and over every 2 years

• **Protects insurer/client**

- Replacement values match marketplace
- Reasonable premiums in a tough economy

• **Strengthens broker/client relationship**

- Demonstrates your understanding of the marketplace
- Personal service for client

INSURANCE VALUATION ON PERSONAL
PROPERTY

RETAIL REPLACEMENT VALUE

Versus

FAIR MARKET VALUE

The Role of the Appraiser

- Determine current market value and/or retail replacement value for art assets
- Prepare bound and digital reports for client
- Advise

ELEMENTS OF A CORRECT APPRAISAL

HERMAN HERZOG (1832 – 1932)
Hunting in the Forest
\$ 145,000

Oil on canvas
Signed lower right H. Herman
36" x 29" (sight)
Condition: Very Good
Gold Gesso Decorated Frame



Then There is a Death...



The valuation issues

- Fair Market Value
- Family division/strife?
- The processes
- Defense
 - Appraisers position
 - Executor's position
- Selling

FREEMANS
AUCTIONEERS & APPRAISERS SINCE 1805
Planning and Administration



FREEMANS
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Two Ends of the Same Line

- Plan
 - Valuation for family division
 - Valuation for Insurance
- Administer
 - Valuation for family division
 - Gift
 - Transfer
 - Disputes

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Questions

