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## **A Lesson Learned at Prince's Expense**

In the last issue of A Step Ahead, we discussed how David Bowie's failure to incorporate a trust in his estate plan opened his plan to public scrutiny. This month we lost Prince, another trend setting entertainer whose estate is going to occupy the media. Within days, the public was informed that Prince died "intestate," meaning he had no estate plan. For Prince's estate, the consequences are significant. Unless you have also amassed an estate worth more than \$300 million, the consequences of dying intestate would not be as extreme, but it's still worth a closer look.

Subject to certain exclusions, within 9 months of his death, Prince's estate must pay federal and state estate taxes totaling 56% of the value of his estate. Because Prince had no Will, he failed to designate the person who will be responsible for administering his estate. A number of his siblings have already filed court proceedings seeking that job. While they jockey (and argue) for position, the estate tax clock is ticking and no one has authority to manage all of the assets until the Court decides who is to be appointed. More importantly, how will the estate derive the cash to pay the estate tax bill? We have learned that the bulk of Prince's estate consists of real estate, his musical catalogue and future earnings from his likeness. The combined tax liability may top \$168 million. Prince's assets will undoubtedly have to be sold but, until the Court appoints someone to administer the estate, no one has the authority to begin that process or decide what gets sold and to whom. The tax liability is based upon the fair market value of the estate. There is no reduction in estate tax when the assets are sold at bargain basement rates because of the short time within which to complete a sale in order to raise the money to pay taxes!

Most of us do not have an estate large enough to incur an estate tax liability. Yet, failing to implement an estate plan can still cause unanticipated and unwanted consequences. Without a Will or trust, New York State will dictate to whom your estate will be distributed. Not surprisingly, most people do not agree with the way the state requires their estate to be distributed. The state does not specify who will serve as the administrator. The statute specifies only who is qualified to ask for this appointment. Thus, disagreements between family members about who is best suited to administer an estate can tear a family apart.

All of these problems can be avoided by creating an estate plan. Whether a Will or trust is used to direct the disposition of property after a death, it allows you to specify who will be responsible for administering your assets, who will receive your assets and how they receive them - outright or in trust. This is particularly important if a beneficiary is a minor child, disabled or incapable of properly handling an inheritance.

All too often, it is easier to make excuses as to why it is inconvenient to create an estate plan now. However, estate planning documents must be implemented while you are capable of understanding them. By the time you really need to have the documents in place, you may no longer be capable of creating them.

Benjamin Franklin said, "If you fail to plan, you are planning to fail." No more excuses. If you have not created an estate plan, now is the time to put it into place. If you have a plan but it has not been reviewed in 3 years or more, it is time to have it reviewed. Call us. We will be happy to help.