



WHAT SHOULD YOU DO TO PRESERVE, PROTECT AND PASS ON VALUABLE TANGIBLE PERSONAL PROPERTY (I.E., ARTWORK, CARS, JEWELRY)?

Tangible personal property in a legal sense means any property that is movable, that you can touch and feel, but is not real property like a house or real estate and is not intangible property such as cash and marketable securities.

In order to preserve and protect family heirlooms, it is important to take an Inventory from time to time to document what each person has in their possession. The Inventory can be useful in make sure the items are all adequately insured against fire, theft or other casualty losses. Appraisals should be updated from time to time as the market for collectibles is volatile and does not correlate to the financial markets. In addition, documents proving the authenticity of items should be maintained in a safe place.

In developing an exit strategy for tangibles, it is important to ask if the next generation would even want such items. While the senior generation may have great affinity for an item, the next generation may have little to no interest in retaining the item.

If the next generation is interested in receiving the property, a gift strategy described in this paper can be used to gift the property to the children. Keep in mind that the recipients will most likely have the same income tax basis in the property as the donor.

If it is decided to gift items to charity, a donor should enter into an agreement with the charity that dictates the term of the donation.

If the donor wishes to keep a collection of items in one place, the donor should consider setting up a charity or foundation to house the items. Caution will be required to avoid the prohibitions on self-dealing with respect to charities.

If the owner wish to sell the property and the property is a collectible, keep in mind that there is a special capital gains rate of 28% for the sale of collectibles.

Finally, if the owner wishes to retain the property until his or her death, the owner's estate plan should address the disposition of tangibles. Large value items or emotionally valuable items should be specifically addressed in the estate plan. Many states now allow a person to create a separate memorandum with respect to the disposition of tangible person property that is legal binding. Other states still require that a disposition must be in a Will or Revocable Trust in order for the bequest to be legally binding.