



## Protecting your collection

Why your collectible assets are too precious for short-term thinking



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**Building any collection takes dedication, patience, and passion. A strategic long-term plan should be at the heart of any collector's legacy.**



On May 19, 1977, one of history's most remarkable funerals took place — involving a crane, a giant concrete box, and a powder-blue Ferrari 330.

Over three hundred people came to watch as Sandra West, a wealthy L.A. socialite, was lowered into the ground in her beloved Ferrari, then covered with concrete to thwart would-be thieves.

The funeral director called it 'the most unusual funeral' he had ever managed. And yet, it went exactly as Ms West planned — even down to her request for the seat to be 'slanted comfortably'.

For Sandra West, her Ferrari was more than just a financial asset. It was an object of great emotional value — and too precious to be parted from. Now, thanks to her long-term plan, she never would be.

The example may seem unusual, but shows how outright ownership enables individuals to dispose of their property (and inherited assets) as they wish. With the right fiduciary structures, wealth owners can protect their collectible assets from heirs who do not share their passion — and help preserve them for the future.

## A hard reality

Whether you collect fine arts or fine wine, classic cars, stamps or sneakers, you will know that a collection is more than just physical assets. It often symbolises a lifetime of dedication, patience, and passion. But the hard reality is that others, including your successors, may well view your collection primarily as valuable assets waiting to be realised. Or, perhaps they appreciate the emotional value of your collection, but simply cannot afford to maintain it. So the question of what happens to your collection after your death is an important one.

## An uncertain future

In our experience, there are three likely scenarios for your collection after your passing. Each one calls for careful, strategic planning. In the first scenario, your successors may want to sell part or all of your collection. Depending on your instructions, they may be free to do this.

### If so, you need to prepare them to:

- get the best prices — and anticipate any drop in the market
- complete the sales in the most efficient way possible

Alternatively, you may want your family to respect the emotional investment you have made and keep your collection.

### In this case, the questions become even more complex:

- does your family share your passion?
- is one member more capable — and if so, how can you prepare them to succeed?
- do they have the expertise and knowledge to look after your collection?
- how will they buy-out other heirs, if needed, and finance the future maintenance?
- what rules govern the collection after your demise?

In the final, most risky scenario, you do nothing — and your successors disagree over how to handle your collection. Perhaps your spouse wants to keep your collection, or donate it to a museum. But your children are keen to realise the value of what they see as assets.

Whatever the disputes, how will your family resolve them without clear, enforceable, and practicable instructions — and without a trusted, impartial advisor?

## Thoughtful next steps

We help wealth owners all over the world manage their collections. And we have learned there are three key steps to strategic planning of your legacy collection:

## **1. Bring your family into the conversation**

Beneath any wealth plan are relationships. Your plan reflects – consciously or unconsciously – your attitude towards those you care about. It might enhance those relationships, bring people closer and contribute positively to their lives.

Or, it may cause tension, conflict, and eventually ruin the very fabric of your family. Understanding your family's ability and appetite for taking over your collection is essential. These conversations should happen before any legal technicalities. That way, you can give them the support they need and sense that their opinion matters.

If the next generation are already interested, encourage their passion. Put them in charge, and give them space to make the collection their own. If they're not passionate, try not to force it. Instead, understand how much — if any — involvement your family is willing to take. Either way, it's important to foster an environment where open, honest conversations can take place.

## **2. Separate your collection from the rest of your wealth**

A collection is a different kind of asset from your business assets, your financial assets or real estate — with very different considerations.

By separating your collection legally from the rest of your wealth, you and your family will be able to develop a more tailored approach.

After all, a collection is not only about shared family passion and values. It is also a costly financial burden, for the owner and most importantly for the successors.

By separating your collection financially, you can create an independent fund to maintain it, using a fiduciary instrument or other arrangement. That way, your plan is more than just paper in a safety box, but practical and feasible. And, just as importantly, successors feel their endeavours, dedication of time and energy are supported and appreciated.

## **3. Understand the different legal and financial structures**

Will you hand your family outright ownership, or place your collection into a trust?

With outright ownership, your family will typically be able to do what they want with your collection.

But with a trust, you can help your family do certain things — like keep the collection in immaculate condition, make it available for exhibition, or even use.

You can also define a time-horizon for maintaining the collection, and determine under what conditions it may be realized financially and for the benefit of whom. Finally, you can choose who else to name as trustees — including outside experts and curators.

In doing so, you provide your family with invaluable support — and keep the emotional part of your collection intact.

## **A partner you can count on**

At Kaiser Partner, we have decades of experience in helping families navigate their wealth and handle the transfer of wealth from one generation to the next.

In partnership with our wide network of experts, we apply this expertise to the world of collectibles. Together, we help collectors ask the right questions — and secure the future destiny of their collections.



**Find the right answers to these questions, and you'll enjoy your collection for decades to come.**



**Leave them unanswered, and the pain could gradually overwhelm the passion.**

# Three steps to preserving your collectible assets for the future

## Defining your roadmap: the strategic essentials

1

- Ask yourself: is your collection merely a passion for your lifetime, or do you want it to be preserved?
- If possible, separate your collection from the rest of your wealth. Financially and – ideally – legally too. This will enable a tailored approach at a later stage.
- Remember: no plan for your collection is still a plan, but one you have no control over. It's potentially disastrous for your family, and for your collection.

2

## Protect your collection, and your successors

- Explore the best way to pass on your collection: should you give heirs outright ownership, or bring your collection into a legal structure (such as a trust or foundation)?
- Consider the emotional, financial, legal and fiscal aspects of your collection – and how you would like them to be preserved and dealt with.
- If you decide to sell the collection after your lifetime, make sure it will be sold discretely, if necessary, by the right people, securing a fair sharing amongst heirs.
- Bring your family into the discussions early on, when there is still time to plan properly.
- Consider involving family members and non-family experts as trustees and advisors to make sure your planning objectives are truly implemented.

3

## Consider the everyday practicalities around your collection

- How will you keep your collection secure?
- How will you keep your treasures in optimum condition?
- How will you ensure every component is properly accounted and cared for?
- How will you avoid mistakes like paying the wrong amount of tax, or buying assets without the financing in place to maintain them?
- Do you have the right service providers in place for storage, restoration, insurance, and maintenance?
- How will you stay informed about the latest market trends, data and news that might affect the value of your collection? How are you prepared to cope with these changes?
- Will you restore, or preserve? How will you treat your newly bought assets, along with ones you already have? What philosophy will you follow and, more importantly, do you know the best restorer for each particular asset?
- How will you stay away from inexpert advisers? (Easier said than done, of course!)



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**Latest Update:** 09/2021

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