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Looking to the Stars

Estate Planning Lessons from Celebrity Mistakes

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Many celebrities, despite wealth and resources, have made critical mistakes or glaring omissions in their estate planning, leading to the legal battles, unnecessary tax burdens, and administrative and financial chaos for their heirs. For financial professionals, these high-profile cases provide valuable lessons on the importance of comprehensive and continual estate planning. Let's take a look at some of the most famous examples and what guidance they can provide in communicating the importance of timely estate planning to clients.

PRINCE – The Perils of Dying Intestate

A legendary musician and consummate showman, Prince passed away in 2016, and he did so without a will. This left his \$156 million estate in absolute disarray. Without clear directives on how his estate should transfer to which heirs, Minnesota's intestacy (meaning "without a will") laws were the only recourse, and this is true for anyone dying without a will. Each state has different laws that determine who inherits in the absence of a will. As a result, Prince's estate was subject to a six-year legal battle involving numerous claimants and substantial legal fees.

The Lesson: Advisors should stress the importance of having at least a basic will in place. Without one, state intestacy laws dictate asset distribution, which may not align with the client's wishes. Regular reminders to clients – especially those with complex assets – can serve to prevent such chaos.

ARETHA – The Dangers of Multiple Conflicting Wills

The Queen of Soul was better at drafting wills than Prince, but, in her case, she may have been *too* proficient. Aretha Franklin had several handwritten wills in various locations, including one supposedly found in her couch cushions!¹ Discovering multiple conflicting documents naturally led

¹ Even more interesting, the couch will was found by a jury to be her true, controlling will!

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to disputes among her heirs, which delayed the administration of her estate and resulted in significant legal expenses.

The Lesson: Encourage clients to work with a legal professional to draft a clear, up-to-date will. Ensure that all estate documents are executed properly and stored securely, preferably with the designated executor(s) and/or legal counsel. Periodic reviews can help prevent conflicts arising from outdated or conflicting wills.

JAMES GANDOLFINI – The Tax Trap of Incomplete Estate Planning

Tony Soprano may have been a ruthlessly efficient “administrator,” but, when it came to estate planning, James Gandolfini could have given a little more respect to the process. Though he did have a will in place, some assets weren’t covered by it, and a large portion of his \$70 million estate was subject to both federal and state estate taxes. This resulted in his heirs getting whacked with a \$30 million tax bill from the IRS.

The Lesson: Advisors should educate their clients about estate tax minimization strategies such as trusts, life insurance, gifting, and charitable giving. A well-structured estate plan can significantly reduce tax liabilities, ensuring that more wealth is transferred to heirs than to the government.

WHITNEY HOUSTON – Mismanaged Trusts and Poor Planning

Whitney’s estate issues arose from a poorly structured trust for her daughter, Bobbi Kristina Brown. The trust gave her daughter large lump sums at specific ages rather than discretionary distributions based on need and financial maturity. Tragically, Bobbi passed away in a manner very similar to her mother, with multiple drug intoxication a contributing factor.

The Lesson: Advisors should advocate for well-structured trusts that include trustee discretion, staggered distributions, or spendthrift clauses. Modern trusts can include provisions that allow trustees and/or trust protectors the power to suspend or alter distributions in light of a beneficiary’s addiction issues. These mechanisms can help protect young or financially inexperienced beneficiaries from quickly depleting their inheritance and even protect them from themselves.

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PICASSO – The Cost of Procrastination

A quote, attributed to Pablo Picasso, reads: “Only put off until tomorrow what you are willing to die having left undone.” Unfortunately, these words would ring all too true for Picasso himself, as he passed away in 1973 without a will. His heirs entered into a protracted legal battle that resulted in exorbitant taxes and legal fees.

The Lesson: Encourage clients not to delay estate planning. Even younger individuals should have a foundational estate plan in place. Regular check-ins can help ensure that clients are keeping their estate plans current.

WHERE DO WE GO FROM HERE?

Many clients, even those with substantial assets, avoid estate planning due to discomfort, procrastination, or a misunderstanding of the process. In the current planning landscape, with the estate tax exemption and other legislation hanging in the balance, this effect is only amplified for clients who put off planning in hopes of gaining more clarity from Washington.

Follow these strategies to effectively communicate the importance of estate planning:

1. **Use Storytelling:** Clients may not find engagement with legal jargon and planning pleas, but they often resonate with compelling stories. Sharing these high-profile estate failures can make the risks tangible and hopefully motivate action.
2. **Emphasize Control and Legacy:** Frame estate planning as a means to maintain control over assets and ensure their legacy aligns with their wishes rather than leaving decisions to the courts.
3. **Highlight Tax Efficiency:** Many high-net-worth individuals care deeply about preserving wealth for their heirs. Demonstrating how proactive estate planning can reduce tax burdens can be a strong motivator.
4. **Simplify the Process:** Some clients perceive estate planning as complex and time-consuming. Breaking it down into manageable steps – starting with basic documents and life insurance – can make it feel more approachable.

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5. **Encourage Regular Reviews:** Estate plans need to evolve with life changes such as marriage, divorce, births, deaths, and changes in wealth. Regular estate reviews help keep plans up to date.

The above estate planning mishaps of celebrities serve as a cautionary tale for all individuals, regardless of wealth. Financial professionals have a critical role in ensuring their clients take steps to avoid similar pitfalls, as proactive estate planning not only safeguards financial legacies but also ensures peace of mind for clients and their loved ones.

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