



## "Party Like It's 1999" - But Don't Forget to Create an Estate Plan

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### **Prince's Estate Could Face Multiple Tax and Litigation Problems Due to an Apparent Lack of Planning**

The unexpected death of Prince at the age of 57 left many in shock, especially his surviving family members who include a sister and five half-siblings. According to documents that Tyka Nelson, Prince's sister, filed with the District Court of Carver County, Minnesota, she stated that she lacked any knowledge that her brother left a will and did not have any reason to believe he created one. She has requested that a local trust company that had worked with the musician's finances serve as special administrator of his estate, worth a princely sum estimated to be more than \$300 million and consisting in part of intellectual property. The late rock star was unmarried and had no children or other descendants. However, that does not mean that he should have neglected his estate planning.

Given the size and nature of Prince's estate, multiple problems likely will arise in its undoubtedly protracted and expensive administration. Some of it easily could have been averted. For example, had proper planning been implemented years earlier, including the use of irrevocable dynasty trusts and other strategies, a sizable portion of his estate could have been sheltered from the imposition of estate taxes. With a top federal estate tax rate of 40 percent and a Minnesota tax rate of 16 percent, approximately half of his estate will go to pay taxes, and that is after taking into account that state taxes are deductible against the federal taxes due.

Another issue is whether his estate - comprised of illiquid assets - will have the wherewithal to pay the estate taxes within the nine month deadline from his date of death. Suitable life insurance, owned in one or more trusts and to which the proceeds would be paid upon his death, could have been used to structure a loan to the estate for this purpose, and the outstanding balance repaid over time from his music royalties.

One of the biggest uncertainties will be the control and licensing of Prince's music, some of which is unpublished, as well as other intellectual property rights such as his name, likeness and publicity. Prince was fiercely protective of each of those, even taking steps to remove his music from YouTube and a streaming website. With no estate plan specifying Prince's wishes, it is possible that whoever is at the

helm of his estate may not feel the same way.

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