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SETTLEMENT OF PRINCE'S ESTATE: THINGS TO CONSIDER

In April 2016, **Prince Rogers Nelson**—better known as simply **Prince**—passed away at age 57 unexpectedly at his home in suburban Minneapolis. Although Prince owned music-related assets worth tens of millions of dollars, he apparently passed away having prepared no will or other estate planning documents.

Prince's failure to plan for his death has made matters difficult for his heirs.

- Minnesota law spells out which family members are scheduled to inherit a Minnesota resident's estate when that person dies without a will. Other states have their own rules. In general, spouse and any children are first in line, with parents and siblings standing to inherit next. In Prince's situation, he had no spouse at the time of his death—and apparently no acknowledged children. The **probate court was asked to sort out whether he had any living children born out-of-wedlock**, or whether he had any **blood-siblings other than the six who filed the original estate petition**.

- The public record shows that **new probate documents have been filed in just about every week in the nearly five years since Prince's death**. In fact, during several weeks new court documents were added **every day**. According to reports, the **legal fees associated with the probate are well in excess of ten million dollars**: https://www.usatoday.com/story/life/2019/04/18/prince-died-3-years-ago-his-estate-still-unsettled-heres-why/3344038002/.

- Prince's estate includes music assets and other intellectual property that is hard to manage. Since he left little management structure in place, the probate court has had to intervene—with much extra expense and hassle being incurred.

It has been widely reported that the Prince estate has been **arguing with the IRS** over the value of its assets. The IRS says it is worth $163.2 million, nearly double the $82.3 million net worth that the estate's administrator allegedly claimed. The IRS valuation would put the estate on the hook for more than **$32 million in additional federal estate taxes**. The Service's position is that the estate substantially undervalued its assets, making it subject to an additional **$6.4 million penalty tax**.

What might Prince have done to plan better?

1. **Prince could have created a living trust, transferring his music, real estate and business interests into the trust prior to his death.** One main advantage of creating a living trust along with proper titling of assets, is that the transfer of control at death usually bypasses the probate process. Another advantage is that the decision-making process tends to be a bit easier—and often less expensive than using probate.

2. **Prince could have consolidated ownership of his intellectual property into one or more business entities prior to his death.**

3. **Even if he had decided not to make the robust plans suggested above, at least a will document would have helped eliminate some of the issues raised in the probate process.** Clear words in a will document could have bypassed many of the heirship issues that arose during the administration of Prince's estate.

4. **Life insurance could have been used to pay for estate taxes and potentially buy time for family settling the estate.** The record is unclear as to whether Prince might have had insurance on his life at the time of his death. There is no doubt that life insurance could have played a key role in covering the estate tax liability, and in helping family stay patient during the estate settlement process.

Do you have a complex family situation? Do you own hard-to-value and hard-to-manage assets? Have you made detailed plans for the transfer to your heirs at death? I routinely help my clients review their estate plans, and I can help you review yours.

AS ALWAYS, PLEASE FEEL FREE TO CALL TO DISCUSS THESE OR OTHER FINANCIAL SECURITY ISSUES OF CONCERN.