

## 4 Estate-Planning Lessons From Michael Jackson

*Learn from the pop icon's concise plans for handling his assets and caring for his family.*

By Jane Bennett Clark

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For a guy who squandered millions, consorted with chimpanzees and dressed like a Christmas nutcracker, Michael Jackson did something surprisingly sensible before his death.

He set up a smart estate plan.

Jackson's will provides for the care of his loved ones. A separate document gathers his assets — said to be over \$500 million, exceeding his debt by about \$200 million - into a trust, ensuring that his affairs stay (mostly) out of the courts and (ideally) out of the public eye.

Far from being wacko, the arrangements set the stage for an orderly disposition of his chaotic empire, says Todd Reinstein, an estate-planning lawyer in Los Angeles. And although challenges could roll in like the California surf, this plan is so well crafted that it just might hold up — unless another will emerges.

Here's what you can learn about estate planning from the King of Pop.

### **Write a will.**

A no-brainer? Actually, about two-thirds of Americans neglect to take on this basic estate-planning chore, allowing a judge to divvy up their assets by default according to state law. Had Jackson been similarly remiss, his property would have been split among his three children, as dictated by California law. Instead, he divided it the way *he* wanted to, reportedly leaving 40% of his estate to the kids, 40% to his mother, Katherine Jackson, and 20% to charity.

Jackson avoided potential misunderstandings by citing each of his children by name and by specifically excluding his former wife and mother of his two older children, Debbie Rowe, from any inheritance. That exclusion may not have been necessary, because the couple were no longer married, but it makes clear that Jackson purposely omitted her, rather than committing an oversight. Anna Nicole Smith, another celebrity with a tangled personal life, neglected to name her infant, Dannielynn, in her will, creating confusion as to her intent. Jackson made his choices clear.

### **Consider a living trust.**

Along with a will, Jackson established a living trust, also called a revocable trust. This estate-planning tool lets you transfer all your property, including cars, bank accounts and real estate, into a separately owned entity—in Jackson's case, the Michael Jackson Family Trust--while maintaining control as trustee. At your death, control transfers to your designated co-trustee or successor trustee. Most people, including Jackson, set up their will to “pour over” so that whatever property remains outside the trust at their death eventually is

added to it.

The beauty of a living trust for some is that the assets it holds at the time of death avoid probate, a public process. “People who are not interested in having the media know how much they died with or to whom the money is going to be left always do a living trust to prevent media attention,” says Reinstein. Avoiding probate can also make sense for regular folks with significant assets or property in more than one state because it spares their heirs the aggravation of a prolonged legal process. “It saves a lot of money, time and hassle,” says David Shulman, an estate-planning attorney in Fort Lauderdale, Fla.

### **Name a guardian.**

In writing his will, Jackson created a legal framework for naming a guardian for his children, all of whom are minors. Without that document, the state—not Jackson-- would have made the choice about who would raise the kids. Jackson selected his mother as primary guardian and singer Diana Ross, his longtime friend and mentor, as backup. Although the court has to sign off on the selection, most judges abide by a parent’s wishes unless there is a compelling reason not to do so.

One big reason: The other biological parent demands custody. Unless he or she is deemed unfit or has given up parental rights, “the court is going to favor the surviving biological parent,” says Richard Barnes, an estate-planning attorney and author of *Estate Planning for Blended Families* (Nolo, \$35). Rowe reportedly gave up her parental rights several years ago and later petitioned to have them reinstated, leaving the legal picture murky. She has yet to say whether she will seek custody. (The third child’s mother, a birth surrogate, has not come forward.)

As for Jackson’s choice of caregivers, he might have done better to pick someone younger than his 79-year-old mother, says Shulman. But, he adds, “with so much money involved, it’s not as if she will be driving the children to school and doing the actual work of raising them.” Most lawyers recommend that parents go with a trusted friend or relative who is reasonably close to their own age and circumstances. Jackson chose trust and continuity over relative youth.

### **Assemble a good team.**

Known as an astute businessman, Jackson named a top-notch lawyer, John Branca, and a savvy business executive, John McClain, as co-executors of his will and co-trustees of the family trust (a third representative dropped out before Jackson died.). Despite a challenge by Katherine Jackson, Branca and McClain were awarded control of the estate by a California Superior Court judge until the next court hearing, in early August.

By relying on these and other experts, Jackson improved the odds that his wishes would play out, says Reinstein. “He had good legal advice. The estate plan was well drafted. He put two people in charge of the will and trust who he felt were sage, mature and had a great deal of expertise in how to handle what are probably considerable assets. He couldn’t have put his estate in a better position.”

Bottom line: “A good estate plan is very important,” says Reinstein. “I believe Michael Jackson has one in place.”

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