



## Michael Jackson Left the Eccentricities Out of His Estate Plan

**Critics are calling Michael Jackson's estate plan a hit. Much has been made of the King of Pop's extravagant spending and lifestyle, which left him as much as \$500 million in debt.<sup>1</sup> But when it comes to estate planning, Jackson's moves were as smooth as his legendary moonwalk.**

"The Last Will of Michael Joseph Jackson" was executed in July 2002, shortly after the birth of his youngest child.<sup>2</sup> Under the terms of the will:

- Jackson's mother is named as guardian of his three children. In the event she is unable to care for the children, the duty would fall to singer Diana Ross, Jackson's longtime friend.<sup>3</sup>
- Three co-executors are named, including two recording industry executives and Jackson's accountant.<sup>4</sup>
- The Michael Jackson Family Trust was created to hold all of his assets.<sup>5</sup> Jackson's children, mother, and some unnamed charities are the trust beneficiaries. He also named contingent beneficiaries.<sup>6</sup>
- Jackson's former wife is specifically omitted from the estate.<sup>7</sup>

### What Jackson Did Right

**He had a will and an estate plan.** Among the most important steps Jackson took was to prepare a will and an estate plan while he was still in his early forties. One of the reasons why Jackson's death at age 50 garnered so much attention was because it was unexpected. It's a reminder that death can strike anyone, at any time, regardless of age or financial status. If Jackson had died intestate, the custody of his children and the fate of his estate would be decided by state law via the courts. You can imagine the chaos that would have ensued as any number of people tried to make claims against the estate, opening the door for years of costly litigation. Of course, a well-crafted estate plan can't prevent challenges. Jackson's will and trust will inevitably be challenged because he was Michael Jackson, one of the most famous and successful entertainers of our age, whose estate could be worth \$500 million or more.<sup>8</sup> But he did much to ensure that his final wishes would be carried out.

**He updated his plan after the birth of a child.** Birth, divorce, death, the acquisition or disposition of titled property, and other major life events all create the need to review your estate plan in order to make certain there are no loose ends. Jackson went a step further and specifically omitted an ex-spouse in order to help remove a basis for her claims against assets that he intended for his chosen heirs.

**He chose apparently competent executors.** The person or persons who act as executor have to make decisions about money, pay bills, and possibly sell assets. It's a good idea to choose someone you know who will be able to execute these types of tasks in a manner that you would approve of. In Jackson's case, the business savvy of his executors could come in handy as his estate faces lawsuits and claims from his creditors. Jackson also split up the duties of managing the estate and caring for the children, which some experts say is a wise move. Both tasks could require considerable time and energy. Putting all that responsibility on a single pair of shoulders could increase the potential for mistakes.

**He set up a trust.** A trust offers many benefits, but one in particular that Jackson craved: privacy. Because his assets are in a revocable trust, their division is shielded from public view. By contrast, a will is a public document, offers no privacy, and is subject to court scrutiny. If there are challengers to the trust, a lack of information may make their cases more difficult to build. Jackson also provided that any estate taxes

that would be due on any of his property that passes outside his will are to be paid by the takers of said property. Experts said this was wise because, if Jackson owned property with others as joint tenants, the property would pass to the partners without his heirs having to pay estate taxes.<sup>9</sup> The use of trusts involves a complex web of tax rules and regulations. You should consider the counsel of an experienced estate planning professional before implementing such strategies.

### Learn from His Mistakes

Not everything Jackson did was worth emulating. Here are some lessons we can learn from his mistakes.

**Tell someone where the estate documents are stored.** It was several days after Jackson's death before his will was located.<sup>10</sup> Even after it was found, there remained a question about whether Jackson had filed a subsequent will. If a family is unable to locate a will quickly, it can complicate or delay final arrangements, leave the family without adequate cash flow or key pieces of information, foster disagreements among survivors, and create a host of other unnecessary complications. One caveat: Don't store your estate documents in a safe-deposit box. It takes a court order to open one after the owner dies. It's a good idea to keep your estate documents in a fireproof box at home. Until you obtain one, storing your documents in an airtight bag in your freezer at home will help protect them from loss from a fire or flood.

**Explain your arrangements to those affected.** Jackson's strained relationship with his father has been tabloid fodder and may be one reason why Jackson didn't name him in the will. Jackson's mother, apparently at the behest of her husband, is reportedly contemplating a lawsuit challenging the executors' control of the trust.<sup>11</sup> Even if Mrs. Jackson's lawsuit fails, the estate could incur legal fees that consume wealth intended for the heirs. It's a good idea to share copies of your will with your family and explain how and why you arrived at decisions about the division of your estate. It could help avoid hurt feelings and fights because heirs may be less likely to contest your arrangements if they understand your motives.

**Name appropriate guardians for your children.** Jackson's 79-year-old mother will be 90 by the time his youngest child turns 18. Ross is 65, and there have been reports that she was unaware that Jackson had named her as a contingent guardian in the will.<sup>12, 13</sup> Neither is a particularly good candidate to care for young children. It's a good idea to name guardians who will be willing and able to give your children the care they will need to move on to happy, well-adjusted lives.

A solid estate plan is not just for the rich or famous. Putting the appropriate documents in place can help family members put their lives back together and potentially avoid costly financial problems.

1, 6, 8–9) *InvestmentNews*, July 13, 2009

2–5, 7) *The Last Will of Michael Joseph Jackson*, July 7, 2002

10, 12) *DelawareOnline*, July 20, 2009

11) *MTV*, July 21, 2009

13) *Daily Mail*, July 2, 2009

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