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7 Tips From Philip Seymour Hoffman, Gandolfini, & Other Celeb Estates

Storied estates can be salacious (Anna Nicole Smith) or amusing (Leona Helmsley's \$12M trust for her dog Trouble), but most are dull. Yet unexpected celebrity deaths like Philip Seymour Hoffman's at 46 spark debate and impart lessons. Ditto from James Gandolfini, Amy Winehouse, Heath Ledger, and others.

Although Mr. Hoffman had three children with Marianne O'Donnell, they were unmarried. Plus, he mentioned only one child in his will, not three. Amy Winehouse didn't even have a will, so we don't know what she would have wanted. Under the law, her parents inherited while her ex-husband got nothing.

Heath Ledger's five year old will gave his parents and 3 sisters his \$20M estate, failing to mention Michelle Williams **or** their child. And after Mr. Gandolfini died at 51, reports said [his will](#) clumsily sent \$30M of his \$70M to the IRS. The stories should make tax advisers go to the mattresses.

Key lessons?

1. Keep It Private. Incredibly, Hoffman, Ledger and Gandolfini, all ended up with wills in probate. Probate is public, expensive, time consuming and unnecessary. Like Amy Winehouse, It is worse not to even have a will (after dying without one, singer John Denver's family spent six years in court).

But a will **still** has to go through the courts. For very little money, a revocable trust disposes of your assets **outside** court. You still do a simple pour-over will. It gives everything to the revocable trust. Simple and confidential.

2. Mention Everyone. Update wills and revocable trusts for big events like births. Mr. Hoffman's will mentioned son Cooper, but not two daughters born later. Mr. Ledger didn't mention Ms. Williams **or** their daughter. If you are slow to update your will/trust, make sure it has good drafting. Most wills say "or other children I may have" to cover later births. Hoffman's and Ledger's didn't.

3. Marriage Matters. Mr. Hoffman gave his \$35M estate to Marianne O'Donnell but they weren't married, and marriage saves taxes. You can give an **unlimited** amount to your spouse tax-free during life or on death. Mr. Ledger's will gave his parents and 3 sisters his \$20M estate, but they generously disclaimed it so his daughter Matilda inherited it.

Still, with no spousal gifts, it's taxable. Similarly, Marianne O'Donnell gets Mr. Hoffman's **whole** estate, but since they were unmarried, taxes devour \$15M. If they had been married, it would be tax-free. Any legal marriage saves gift and estate taxes, one of many reasons the legitimacy of gay marriage is so important.

4. Think Taxes, But Not First. Marriage isn't **only** about taxes; estate planning isn't either. Don't pay taxes unnecessarily, but you want assets to go as you wish. Mr. Gandolfini was criticized for paying tax, but if he wanted his sister to receive a large share, taxes may be inevitable.

5. Make Tax Efficient Transfers. Mr. Gandolfini was criticized for leaving 80% of his estate to his sisters and his 9-month-old daughter, making 80% of the estate taxed. But sometimes you can do what you want **and** save taxes. Mr. Gandolfini took some tax-efficient steps. His teenage son received \$7M in life

insurance proceeds via an irrevocable life insurance trust, a tax efficient transfer. No estate tax there.

6. Consider Children's Ages Carefully. Many with young children think they will be ready to receive and manage assets at age 21, 25, or 30. Often, we revise our expectations over time as they mature (or don't). But be careful. Mr. Gandolfini's baby daughter is to receive significant assets at 21.

7. Beware Foreign Law. Assets and life abroad are complex. Mr. Gandolfini's will gave his Italian property to his son and daughter, but foreign law often reserves a share for the spouse. Mr. Ledger's death raised foreign issues too, since he was Australian but lived in New York. Domicile counts for applicable law and for taxes.

In fact, having a U.S. green card—which makes you a permanent resident for **income** tax purposes—does not necessarily mean you are a U.S. domiciliary for *estate* tax purposes. Anyone with property or presence in multiple countries should be careful and get some advice.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.