

6 Steps to Managing Tangible Assets

1. Assemble the Right Team of Experts

Families and their wealth advisors should select a qualified team of experts to assist with documenting, valuing, insuring and protecting their prized possessions. The team should include an independent insurance agent who specializes in serving high net worth clients and work with carriers that also specialize in that area. Other experts to engage include a loss prevention specialist, estate and tax planners, a CPA an attorney and a risk consultant. A professional can recommend and help owners implement key loss prevention strategies, including an updated inventory of property, evacuation planning for precious collections as well as family members, background screening of domestic staff and contractors to help prevent theft, and backup power supplies for environmental controls and security systems.

2. Secure an Accurate Appraisal

The appraisal is the foundation for almost every decision made with tangible assets. Appraisal industry associations, such as the American Society of Appraisers, can provide guidance. The IRS provides and requires additional rules for appraisers and appraisal reports for income, gift and estate tax purposes.

For especially valuable items, consider two or three appraisals at the same time to guarantee your assets are valued accurately.

3. Track New Transactions at the Point of Sale; Monitor Price Changes

Consider software to help manage the records of your assets. These systems should store important details about each item along with its value, proof of authenticity and a schedule to update valuation. The most robust solutions will be able to accept information about transactions at the point of sale, eliminating the tedium of manually entering new items. They will also be able to automatically adjust valuations, or notify the owner about the need for an updated appraisal, as related sales occur at retail and auction houses.

4. Itemize Highly Valuable Holdings on Insurance Policy

For the best protection, families should seek the added protection of a valuables policy. This allows the family to declare the value of each piece, or group of pieces, on the policy. This coverage is not restricted by specific coverage limits for certain items in a homeowner's policy. It applies to a broad array of risks, including those excluded by homeowners policies, such as flood.

The best policies will also guard against price fluctuations by providing coverage for the market value of an item at the time just prior to loss up to 50% more than the value listed on the policy.

5. Determine a Succession Plan

Too many families wait to develop a strategy for their valuables until it is too late to make a rational decision about a succession plan. If you plan to leave your assets in a will or trust, or donate pieces to a museum you need professionals with experience dealing with these assets and their unique tax consequences. Proper documentation enables appropriate planning and ensures that the correct tax basis is reflected. This can save family members thousands of dollars.

6. Regularly Discuss Your Tangible Assets with Your Advisors

In every wealth planning consultation, devote sufficient time to discuss the tangible assets in your portfolio. Families may not consider themselves to be collectors, but anyone who owns jewelry, watches, memorabilia, antique furniture or other luxury items must ensure those valuable items are properly accounted for. Unless advisors are kept up to date about your tangible assets, they will be unable to help you minimize risk or capitalize on opportunities, such as being able to secure a loan on favorable terms by using the assets as collateral.

Today's investors have the opportunity to reap significant benefits by investing in tangible assets, but these investments pose unique challenges. The challenges include: determining value and authenticity, documentation, estate and tax planning as well as insurance. Discussing these critical issues with us gives Karp Capital Management a more comprehensive picture of your wealth and enables us to better serve you in reaching your financial goals.



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