



ESTATE PLANNING FOR EQUINE OWNERS: YOU NEED AN EXPERT

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Watching Justify win the Triple Crown just three years after American Pharoah captured Thoroughbred racing's most elusive title has inspired current and would-be Thoroughbred owners. While ownership can be exciting and incredibly fun, it's important to develop an exit strategy through your estate-planning process, which includes assurance that your horses will be properly managed and cared for after your passing.

When it comes to typical estate plans, most people answer questions that can be distilled down to...“who will get my assets, what will they get, and when will they get it?” But there is no one-size-fits-all estate plan for horse owners.

What happens to my horses?

For most horse owners, the well-being of their horses is a top concern, and requires clear, articulate instructions in the event of the owner's death. Generally, this means appointing a trusted, qualified individual or organization to carry out those plans.

Owners with large racing or breeding operations sometimes elect to have their bloodstock sold at their death in a dispersal sale. Depending on the timing, staffing, and execution of the sale, a post-mortem sale may be a good way to capitalize on goodwill and maximize revenue to the ultimate beneficiaries. Your executor should understand your equine operation and breeding program, and be equipped to engage the right team, including a qualified consignor.

Owners with smaller operations need to pay equal attention to bloodstock disposition. Are there heirs who share in your passion for the horses and are able to act as your successor? If not, sale at public auction is a viable option.

Horses that cannot be sold due to age or physical condition may require alternate arrangements. Thus, you may need to provide for the costs of aftercare or leave instructions for the delivery of retired horses to good homes.

Other personal property

You may also own other valuable equine-related tangible personal property, such as fine art, trophies and other memorabilia. Unless you provide your executor with adequate directions, you risk the value of those items being unrealized (at best) or overlooked (at worst). Many trophies are quite valuable, but an unaware executor may unwittingly sell such items through an online auction yielding far less than their worth. Further, such items are often emotionally priceless, making it even more critical for you to choose an executor who knows your business and assets, and understands your wishes.

Real estate considerations

When farmland is a factor, one way to ensure your land is not sold to the next developer who comes to town is to place it under a conservation easement, a voluntary contract that permanently limits the use of your land, whether by you or others. If properly structured, you or your estate may benefit from income and/or estate tax benefits, in addition to the security of knowing that the land will not be developed.

Conservation easements are not for everyone. Heirs may find such restrictions burdensome, and the value of the land may also be decreased—sometimes greatly—due to the encumbrance by the easement and there may be a limited number of buyers for land with an encumbrance. If your heirs decide to keep the land, they will be limited in their ability to use it going forward. So, it's important to weigh the costs and benefits of such a vehicle and consult an attorney familiar with them before deciding whether this option is an appropriate one for you.

Now what?

Once you determine what you want to happen to your property after your death, work with an attorney to draft the appropriate documents to accomplish your intent. Your attorney will need to take into account how much tax planning, if any, is appropriate for you. And always, it is also a good idea to communicate your wishes to your named fiduciaries and beneficiaries to mitigate the risk of confusion after your death regarding your wishes.

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