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THE CELEBRITY MULTIFAMILY OFFICE

Money and fame are often accompanied by myriad issues and concerns. Add to that the complexities of the entertainment business, and wealthy celebrities have a host of reasons to approach their lives, careers and outside business ventures with extra care. These dynamics create unique possibilities that call for specialized expertise and an intimate understanding of celebrity culture in order to achieve optimal results.

BY RUSS ALAN PRINCE & HANNAH SHAW GROVE

Increasingly, high-profile individuals are turning to multifamily offices and similar organizations for assistance with their financial, business and personal affairs. "Celebrities can benefit from a coordinated approach that's characteristic of a multifamily office," explains Richard J. Flynn, head of the Rothstein Kass Family Office Group in New York. "In my experience, professional entertainers and athletes face different challenges than other people with similar levels of wealth, and consequently, we're seeing an evolution in the multifamily office model that's geared specifically to their needs."

THE ENTOURAGE

A key difference is the integration of the business manager role into the already broad array of financial, legal and tax expertise that comprise the traditional multifamily office. "Some of the opportunities to achieve goals like tax mitigation or asset protection are particularly applicable to affluent celebrities," notes Flynn. "When advanced planning initiatives work in concert with business strategy and support services, the results are compelling."

Creating or enhancing a business model for a celebrity client is a striking extension of both the conventional multifamily office and the standard business manager. "In a celebrity family office, the financial, tax and lifestyle implications of every opportunity or transaction are examined carefully," says Flynn. "Proactively managing the various aspects and interdependencies of our clients' affairs allows us to influence the flexibility, profitability and effectiveness of things such as licensing agreements and business ventures."

SPECIFIC NEEDS

The advantages of a holistic process are also evident in the strategy Rothstein Kass designed for an actor with a net worth of over \$50 million and annual income of \$5 million, largely from royalties and participation arrangements, to decrease his income tax obligations. Based on the actor's circumstances, the firm established a distinct legal structure known as a loan-out corporation in a non-U.S. domicile with favorable tax treaties. A deferred compensation program directed his non-U.S. royalties and participations into the corporation where the assets were invested in cash and cash-equivalents to ensure safety of principal. After one year and one day, a loan-out corporation could make loans that are interest- and principal-deferred—the actor was able to access his earnings in the form of loans that were free of current taxes.

Such an approach requires a comprehensive knowledge of a person's finances, earning patterns and overarching goals that take the time, effort and commitment of everyone involved. The appeal of the celebrity multifamily office structure is the ability to leverage the experiences and successes of a similar clientele, access timely and customized solutions to pressing issues and needs, or engage in an inclusive, long-term planning process.



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