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## Proper Planning for a Client's Sports Memorabilia Collection

It is a scenario we have all dreamed about: discovering a hidden treasure trove tucked away in the dusty corners of an attic.

But it was not gold coins or heirloom jewelry that an Ohio man found in a box that had belonged to his grandfather. It was a collection of vintage baseball cards for legends like Ty Cobb, Honus Wagner, and Cy Young that experts valued at \$2 to \$3 million.<sup>1</sup>

The card owner's heirs agreed to sell most of the cards at auction and divide the money equally, avoiding a potentially messy legal battle over ownership rights. Things could have gone much differently, though, and they often do when valuable personal property is not accounted for in a client's estate plan.

### Sports Memorabilia Is a Multi-Billion Dollar Industry

Stories about a father or an uncle grumbling that their mom threw away their baseball card collection that would now be worth millions are something of a trope. But they might actually be true.

The sports memorabilia market has never been bigger. Collectors' items like cards, photos, clothing, and tickets, once the domain of hobbyists, are now part of an industry that is valued at more than \$26 billion and is expected to top \$227 billion by 2032.<sup>2</sup>

Sale after record-breaking sale have driven the market for historic sports collectibles to new heights. Individual items, including a Michael Jordan game jersey and a Mickey Mantle card, have recently sold for more than \$10 million.<sup>3</sup> Many more have eclipsed the \$1 million mark.

According to the Robb Report, the sports memorabilia industry is becoming comparable to the art market, "replete with appraisers, ratings agencies, authenticators, specialized insurance, leased vaults, and elite security systems."<sup>4</sup>

Amid the growing interest in, and increased value of, sports memorabilia, a Manhattan man sued his mom for not handing over two baseball cards he claims could fetch \$25,000 apiece.<sup>5</sup> She contends that her son actually gave her the cards because she was a fan and that according to her will, her grandchildren will be receiving them.<sup>6</sup>

### How to Handle Valuable Sports Items in an Estate Plan

Assuming that a client-collector's mom has not disposed of their cherished sports collectibles as many moms do when cleaning out their grown children's left-behind childhood memories, they will

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<sup>1</sup> Andrew Lisa, *40% of People Have Vacation Homes: Where You Can Find One for Your Budget*, GoBankingRates (June 16, 2023), <https://www.gobankingrates.com/investing/real-estate/where-to-find-vacation-home-in-your-budget>.

<sup>2</sup> Na Zhao, *The Nation's Stock of Second Homes*, Nat'l Ass'n of Home Builders (May 13, 2022), <https://eyeonhousing.org/2022/05/the-nations-stock-of-second-homes>.

need to be “disposed of”—that is, distributed or transferred, legally speaking—in the client-collector’s estate plan.

Sports memorabilia is considered tangible personal property, just like jewelry, furniture, and other household items, for estate planning purposes. An estate plan can deal with tangible personal property in a few different ways:

- Gift all tangible personal property to a single beneficiary or multiple beneficiaries through a will or a trust.
- List specific items in a will or trust and who will receive them.
- Use a memorandum of tangible personal property that lists who will receive certain items. This document is separate from a will or trust but is usually referenced in the client’s will or trust as providing the instructions for what will happen to the client’s tangible personal property.
- Donate the collection to charity.

Because a sports memorabilia collection can also have sentimental, nonpecuniary value to a client, it could fall into the category of estate items that the client may want left to nonfamily beneficiaries, such as a friend who is also into collecting baseball cards.

Instead of distributing sports collectibles to family members who might not be interested in them—but would not mind inheriting their cash value—another option is to sell the collection and distribute the proceeds to those named in the client’s will or trust alongside other assets as part of the client’s estate.

Memorabilia can also be gifted during a client’s lifetime so they can see the items enjoyed while they are alive. However, depending on the value of the item, this could trigger a gift tax and would count against their lifetime estate and gift tax exclusion.

### **What Can Happen If There Is No Plan for Sports Memorabilia**

Due to insufficient planning, a client’s family could end up finding binders and boxes full of sports memorabilia after the client’s death. They may not be sure what the items are worth, what they meant to the client, or what to do with them.

With or without an estate plan, sports memorabilia can slip through the planning cracks. Consider these potential scenarios for a sports memorabilia collection that is not specifically planned for:

- A will could address tangible personal property generally but fail to account for sports memorabilia specifically, so it would get lumped in with other items like clothing, books, and pictures—and could be left up for grabs among several beneficiaries.
- If no mention is made of the sports memorabilia in the estate plan, the client’s family may see the items as worthless and either donate or throw them away.
- When a client does not have a will, their assets—both tangible and intangible—are subject to probate. In this scenario, the probate court distributes a client’s assets in accordance with state succession laws. The law will determine who gets what, how much, and when they will receive it.

## Counseling Your Clients on Their Sports Memorabilia Collection

Fans love sports for the drama. To avoid any drama over a client's memorabilia, however, you should advise them to protect their collection now and in the future by taking the following steps:

- Make a detailed inventory of all important sports memorabilia and regularly update it.
- Consider getting the items appraised and authenticated and potentially insured.
- Inform their loved ones about where they keep their collection. If any part of the collection is stored in a safe, a safe deposit box, or a storage unit, the client should make sure a trusted loved one will have access to the items after the client's death.
- Inform their loved ones about how and where items can be sold in case their loved ones do not want to keep them.
- Ensure that they have enough insurance to protect the items in case of damage or loss.
- Understand the tax implications of selling, gifting, and inheriting valuable items.
- Create an estate plan that spells out who will receive their memorabilia and other tangible personal property.

To discuss sports memorabilia estate planning strategies in more detail, please reach out to schedule a meeting.



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