Lou Reed's will teaches a privacy lesson

A living trust can keep your affairs from public consumption; a will, on the other hand, is public record

By Danielle and Andy Mayoras
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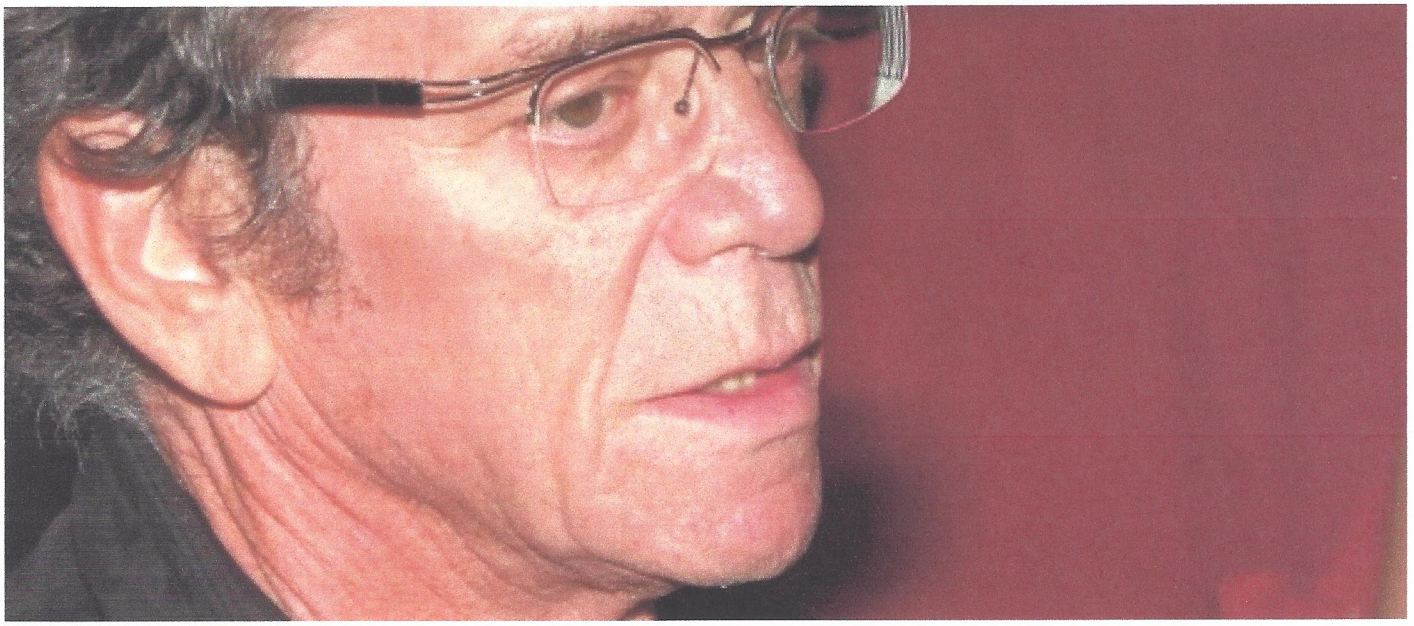

Lou Reed
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Lou Reed was the man who famously crooned, "Hey babe, take a walk on the wild side." The late lead singer and guitarist of The Velvet Underground -- and of course, a musician and songwriter with a successful solo career -- may have been a bit wild at times. But that doesn't explain why he would be so careless with his estate plan.

Recent filings with the Surrogate's Court in Manhattan show that Reed's estate has already earned more than $20 million since he passed away from liver disease at the age of 71, on Oct. 27. This is only the income that Reed's estate has brought in since his death, primarily from royalties.

The executors filed a report recently with the court, listing the income and providing an updated inventory of estate assets. There is other property worth around $10 million in Reed's estate. Reed's wife and his sister are the primary beneficiaries, along with a half million dollars set aside for the care of Reed's 93-year old mother. Reed's widow and his sister receive 75 percent and 25 percent, respectively, of the residue, while all of the personal property and almost $9 million worth of real estate in New York will go to his widow alone.

So why does this make us compare Lou Reed's estate planning to a walk on the wild side ... do doo do do do do doo do do doo doo do? (Sorry, that song tends to get stuck in your head).

Reed relied on a will he signed in April 2012. It was a 34-page will, but a will nonetheless. Why would someone with assets worth tens of millions rely on a will, instead of a revocable living trust, if not even more sophisticated estate planning?

That's the question that doesn't appear to have a good answer. Media outlets across the country have reported the details of his estate and his assets, including who gets what and what everything is worth.

If Reed had used a revocable living trust, and transferred his assets into the trust during his life, then all of this information would have been kept private. That's a key difference between wills and trusts. Wills have to pass through probate court (called Surrogate's Court in New York), which is a public process. Trusts, when used the right way, avoid probate court entirely.

While most people don't have to worry about the press leaking details of their financial worth, everyone should strive to avoid probate court. On top of being public, it's also expensive, stressful, time-consuming, and more prone to fighting.

It's much easier for disgruntled family members to file will challenges in probate court, as opposed to a trust that is administered privately, outside of court. In fact, trusts can even help you when you are alive by addressing who and how your assets are managed if you are no longer able to do so. Wills can't help with that.

Reed obviously knew he was suffering from liver disease. He signed his will a year-and-a-half before he passed. He should have updated his plan to include a revocable living trust. This would have allowed his family to maintain privacy and avoid the aggravation of probate court.

It's a lesson for everyone ... even those who don't have more than $30 million. So let Reed stick to walking on the wild side when it comes to estate planning. Talk to your loved ones about the benefits of a revocable living trust.

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