

R.I.P. – What About The Trains?

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KEY MESSAGES

Keep perspective on the –

- value of the model railroad relative to your total estate
- detriment a model railroad might be to selling a house
- importance of having a discussion with your significant other
- expectations your heirs should have for the vast majority of the items in your collection

TOP LINE UP-FRONT ADVICE

- Have a frank discussion with your probable survivors – set REALISTIC expectations, offer recommendations, identify contacts, share relative values – once you are gone, you can no longer provide input
- Create an inventory – start with the most valuable, then use general groupings, and be realistic
- Be very specific in your directions – “family” gets first rights on everything, left to my “friends”, distributed to (group of individuals)...
- Every situation is different, so talk to your attorney and tax advisor before committing to a plan

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CAVEATS

- I am **not** an attorney and do not offer legal advice.
- I am **not** a CPA nor a tax person and do not offer financial or tax advice.
- I do **not** deal in trains and do not purchase estates or collections.
- All statements are generalities and your experience may be different.
- I only share my experiences.
- There are exceptions and examples (real and folklore) to contradict everything I say.
- I only advise and assist in a general manner based on over twenty years of helping others.
- Consult your trusted attorney and financial advisors – there may be tax consequences.
- **Have frank conversations with your heirs/survivors.**

WHY BOTHER?

- We all have a collection of trains (and other things of value).
- What we paid may be far different than they are worth if sold now
- Our spouses/significant others/children may have no knowledge of our hobbies or of their value...or the market.
- There are opportunities for false expectations, unscrupulous “friends” and others; the less specific you are, the greater the chance for issues.
- The effort to dispose of your trains might be a higher cost than their realistic value.
- Avoid the “I’ll be gone, who cares” mind-set.

WHY BE WARY?

- Frank promised me this locomotive...
- This is really my locomotive and not Frank’s...
- This locomotive is worth nothing...
- Frank said this locomotive was really valuable...
- Frank was working on this locomotive for me, so it is mine...
- Let me buy everything for \$1,000...
- I know these trains are worth a bundle of money and I will be rich...
- I paid \$x for this and it is being advertised for \$2x, so my estate can easily get \$2x+ for it...
- I want my trains distributed to my friends and they can figure it out...
- My heirs can sell everything on e-Bay. It’s so easy and people bid high...

ECONOMIC REALITY

- There are lots of offerings in print and on-line, fewer actual sales!
- When it leaves the shop, it becomes “used”
- Dealers can purchase new-in-box (NIB) stock at up to 40% off MSRP (sometimes even more on closeouts)
- Dealers pay taxes on inventory and have overheads to consider
- Used stock may sit for years
- Dealers have to make money to stay in business
- Auction houses have overheads they cover with their 25-35% fees
- Modelers can buy the same model - new and unbuilt – on sale
- Custom painted models for private name roads can be less desirable in some cases

Two extreme examples – REALISTIC Train Values

Trains	\$ 20,000	Trains	\$ 20,000
Balance of estate	\$100,000	Balance of estate	\$1,000,000

Trains are 20% of the total estate, probably worth working some.

Establish realistic expectations for disposal of your trains, focus on overall value.

Trains are 2% of total estate, probably at the bottom of the importance list.

It is often hard to sell large collections of trains.

MORE GENERAL ADVICE

- Be specific about what, who, how you want your trains and items handled
 - What is in the “collection”
 - Who is the primary beneficiary
 - Who gets any specific items
 - Who is the “family” and who are the “friends”
 - Who might have specific items on loan to you
 - Who should be contacted for consultation
 - Think about how it might be disposed: donation, gifts, dealer, auction, e-Bay, sales, consignment, trash...
 - The “how” is generally up to the executors, so you might educate them on your wishes.
 - If you set aside a sum to sell the trains, be specific about the terms – time, expectations, and fees: travel and sales expenses, commissions, hourly rate, etc.
 - Try to keep sentiment out of the process, be objective
 - There is generally an inverse relationship between time, labor, and money
- Use the “sales/sold” values from e-Bay transactions to get approximate values

REALISTIC VALUES

- There are many different “values” depending on the context
 - MSRP
 - Acquisition Cost
 - Insurance/Replacement Value
 - “Fair” Market Value
 - Quick Cash Value
- ...be sure your heirs understand the differences
- There is not a true “market value” in most cases as it varies day to day and by context – same model can be \$0 (no offers) today and \$500 tomorrow (many bidders)
- But, what about the trains?

BRASS

- Declining market for many models, but there are some exceptions
- “Market” price might be \$50 one day and \$200 the next...or no buyers
- It was bought at market and is being sold as “wholesale”
- Glut in market for some equipment, so short-term prices can be depressed
- “Boomer” collections will be hitting the market in the next 5-10 years; the younger generations may not be willing or able to support the market
- Quality and condition affect price (collectors v. modelers)
- Newer plastic models are often much better in quality and operation
- Slower to sell large quantities
- You have to find the right buyer at the right time
- Identify the best pieces to sell or donate
- I’ve had some nice brass for more than 8 years, priced low, and no buyers
- Consider selling as one group, rather than “cherry picking” – tough to find right buyer

EQUIPMENT

- Locomotives – worth 25-50% of original discounted price, less if a minor road or private road
- Rolling Stock – used sells for \$3-5, so expect to get \$1 or so from dealer or bulk sale. If damaged in any way, not much value.
- Structures – unless John Allen built it and you have documents, they are worth very little; value drops quickly from NIB (new in box) to layout quality built
- Scenery – good for filling trash bins if on a layout, very little value.

“LE JUNQUE”

- We collect all kinds of bits and pieces
- We all have “projects” stored in unmarked containers, spread all over the work surface ... our “treasures” in progress
- Maybe you have the rest of the half structure I purchased ten years ago, or a new gear box for the limited edition brass model built thirty years ago
- Some of you have been through one of my “big box of stuff, pick what you want, and make an offer” – that is “junque”
- I’ve got many boxes of left-overs from estates over the years
- Give it away to friends now if you are not going to use it

THE LAYOUT

- Rarely can they be moved or sold, but there are exceptions
- Not much survives when torn down
- Very little has real value
- Strip buildings, turnouts, and accessories carefully
- Switch machines, control systems, and signals may be salvaged
- Track is hard to salvage in most cases, especially if glued down and ballasted
- Switch machines may have some value
- The layout is often a detriment to selling the house and generally must be removed without damage to the house
- Electronics may be out of date or unique

BOOKS & PHOTOS

- Books have some value, but we all already own the books we want
- It is tough to find new buyers for books, even if priced low
- e-Bay might be an avenue for disposition, but it takes research and time
- Consider donating them for the tax deduction ... and then it is someone else’s problem ... your heirs establish the value for tax purposes
- Photos are even tougher unless superb and unique and contain the metadata to tell the when and where of the photo
- Consider donating them to a Historical Society or the NMRA

RAILROADIANA

- You purchased it because you wanted it; now find another person right now who wants it just as much
- E-Bay and shows are an option
- Most historical societies already have the material, but your donation may have tax advantages for your heirs and it is then their material
- Donation to a 501c3 non-profit may provide tax advantages (Division 7 is not a 501c3 non-profit, so there are no tax advantages directly)
- Donation to a historical society may preserve the material
- With increased regulation, some railroadiana material is treated as “suspected stolen” in certain situations

TOOLS & PARTS

- Every modeler has the same collection of tools, so this is a tough area
- Offer them cheaply enough, and they may eventually sell
- Parts in their original bags may bring 10-25% of their original value, but someone has to want them now

MAGAZINES

- Very few have a realistic value
- Many are offered for sale, only some are sold
- Some titles do sell, especially if a special interest
- Expensive to ship relative to value
- Most clubs and libraries already have complete runs of magazines, but check with your favorite historical society
- If you have not looked at them in years, get rid of them...and use other means to find articles if you might want them in the future
- So much is free on the Internet, many don't want paper

HOW TO APPROACH THE PROCESS

- Early preparation
 - Who do specific items go to?
 - Who (no more than 2 people) will manage the disposal?
 - How do you want it managed? What process must be followed, and what is the alternative plan?
 - Any restrictions?
 - Any specific requests?
 - Any specific donations?
 - Identify and clean out the trash now!
- Focus on the items with the most value
- On-going preparation...periodic updates

REMEMBER

- I do not provide any legal advice at any time.
- I do not offer any financial advice at any time.
- I only share my experiences.
- Consult your trusted attorney and financial advisors.
- Have frank conversations with your probable survivors.
- It is a GIANT undertaking, be sure your designated persons are up to the challenge...and still able to manage it.

- Be **VERY SPECIFIC** in any instructions you leave so there are not more problems after you are gone.

FINAL THOUGHTS - REPRISÉ

- Think about how you want your trains “transitioned”
 - Think about who you want to manage the process (discuss it with them)
 - Be very realistic in the value of the trains
 - Talk to your significant other about their options and your wishes
 - Write down any specific wishes
 - It is a daunting task, so try to make it **SIMPLE** – but don’t just say “give it all to my friends” (unless you don’t care how it happens)
- or....
- **Forget about it and enjoy the hobby in the time you have...after all, it won’t be your problem when you are gone**