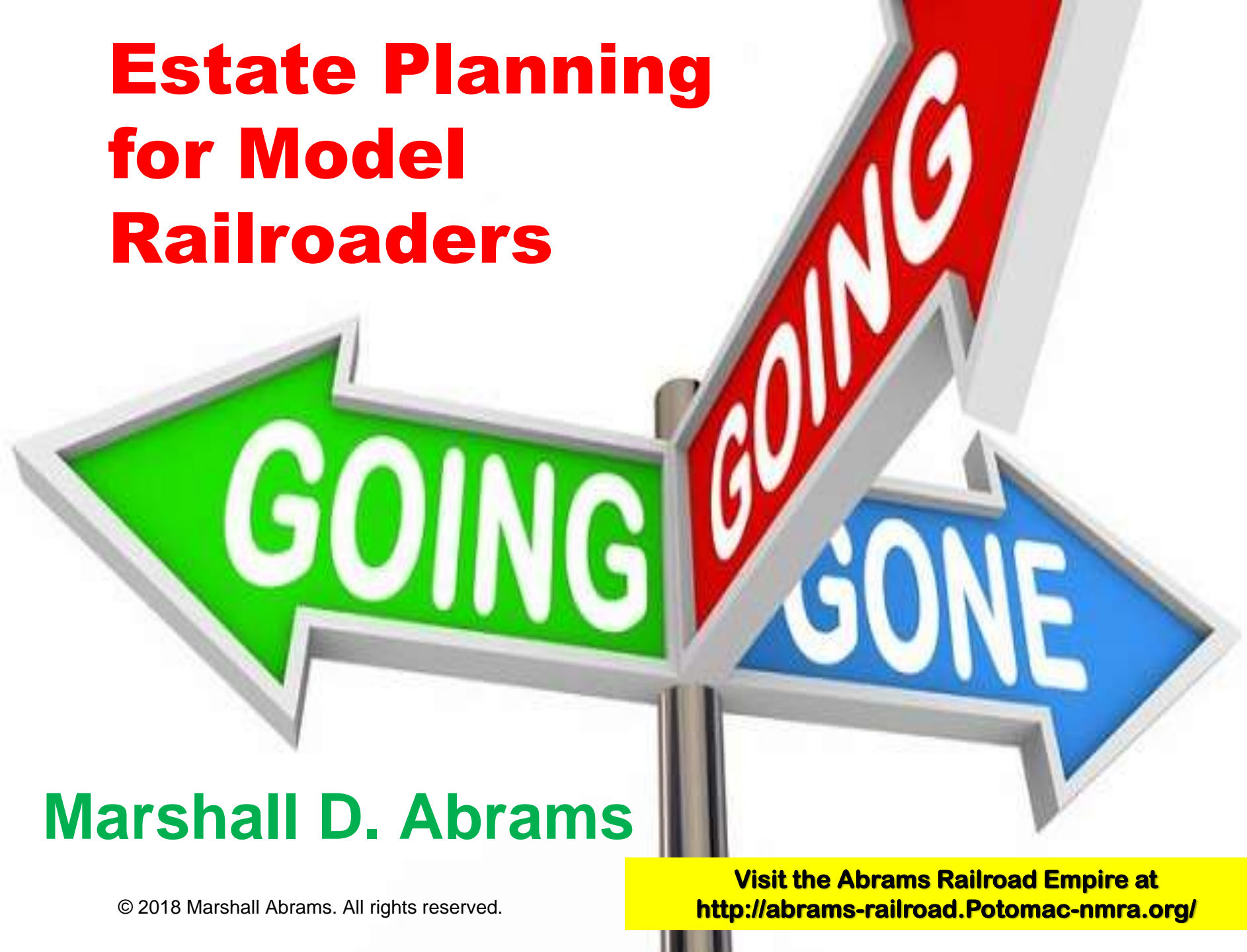


Estate Planning for Model Railroaders



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<http://abrams-railroad.Potomac-nmra.org/>

Audience & Overview

- ◆ **Model railroaders who are uninterested in or unable to continue and want to dispose of their model railroad assets**
- ◆ **Also applies to the estate executor who doesn't know much about the model railroad hobby**
- ◆ **This clinic is not legal advice. Talk to your lawyer.**
- ◆ **This clinic is not tax advice. Talk to your accountant or financial advisor.**
- ◆ **Topics include**
 - **Priorities**
 - **Inventory & Value**
 - **High Value Items**
 - **Written Instructions**
 - **Planning For Layout Disposition**
 - **Selling**
 - **Scenarios**
 - **Fees**
 - **References**
 - **Professional Services**
 - **Using eBay**
- ◆ **A report is available.**



Introduction

- ◆ This clinic presents advice on disposal of a model railroad
 - Modeler no longer interested or able
 - May be part of estate planning
 - Useful to estate executor (but not primary audience)
- ◆ Clinic addresses tangible assets accumulated during enjoyment of hobby by the “typical” modeler
 - Modelers who have accumulated a valuable collection will find value in this clinic, but they are not the principal audience
- ◆ A related article “Pulling the Plug” by Tony Koester, can be found in *Model Railroader*, May 2016.
- ◆ Another article “A New Life for the Texas & Pacific” by Weldon Nash appeared in *MR*, January 2018.
- ◆ Collection Protection & Estate Planning Information, <http://www.foxvalleydivision.org/fvd2016/estates.v2.html>



What Is It Worth — First Thoughts

- ◆ Temper expectations by thinking of the model railroad as used toys
 - Enthusiastic model railroaders may overestimate the cash value of their collections
 - Families and survivors may assign inflated values, perhaps based on the model railroader's enthusiasm
- ◆ Remember that most modern era trains *devalue* like a new car — they depreciate as soon as you take possession
- ◆ Accept that the value of removable used model railroad equipment (engines, structures, cars, etc.) is primarily determined by supply and demand
 - Marketplace determines value
 - It takes organized effort to determine selling prices
 - Could use eBay or dealers and other experts
 - Detailed discussion at Trainz [Model Train Grading And Valuation Guidelines](#)



Layout May Be An Expense

- ◆ Model railroad layouts are typically built to fill the available space, and may be physically attached to walls and floors
- ◆ Although a great deal of skill and effort went into their construction, they often have negative residual value
- ◆ Considerable effort is required to cut the layout into manageable sized scrap, remove and dispose
- ◆ Restoration of the space for family use is often required

Before



SAWZALL reciprocating saw demolition



After



Unattached Items (a.k.a. The Collection)

- ◆ Anything that is removable from the layout without breaking it
- ◆ These items may have some financial value
- ◆ Examples:
 - Locomotives/Engines
 - Rolling Stock (Railroad Cars)
 - Buildings
 - Scenery (Trees, Telephone Poles, Lights, etc.)
 - Track, Turnouts, Switch Machines
 - Electrical/Electronic Components (Turnouts, Wire, DCC Command Stations & Throttles, etc.)
- ◆ Related items
 - Books
 - Photos/Framed Prints
 - Miscellaneous Items (Hats, Belt Buckles, Lanterns, etc.)



Written Instructions – Will or Instructions for Executor

- ◆ Can simplify legal and personal aspects of settling your estate
 - Instructions to executor has no real legal authority in most jurisdictions
 - Communicate important information to your executor
- ◆ May designate separate executor for the model railroad
 - Separate letter of instruction just for the model railroad
 - Could be one of your hobby friends or other “subject matter expert” (SME)
- ◆ May include
 - List of the items and desired recipients
 - Description of executor’s compensation
 - Names of people to have first shot at purchasing your collection (i.e., right of first refusal)
 - List of items that have little or no monetary value



Get Organized

- ◆ Physically organize and label all your “stuff”: kits, supplies, parts, tools, ...
- ◆ Make an inventory
 - Digital is more convenient, easily updated, duplicated
 - Can be list, spreadsheet, database, or dedicated program
 - Determine current market value
 - Include “stuff”: kits, supplies, parts, tools, ...
 - Leave copy(ies) with friend(s)/relative(s) or in cloud
 - Digital pictures are easy to take and include in the inventory
 - Inventory also useful for insurance purposes
 - See the report http://potomac-nmra.org/Special_Interest_Reports/Insurance.pdf
 - Clinic also available
- ◆ Make sure the inventory is accessible to the executor
 - Inventory should provide help in identifying items
 - Level of detail appropriate to executor’s familiarity
 - List what’s borrowed and lent out



Potential High Value Items

- ◆ Prices based on their collectable value; condition is important
- ◆ Having original boxes in good condition and associated paperwork drives up value
- ◆ If you have such items, check Internet for a dealer or club in your area
- ◆ Potentially valuable items include the following:
 - Märklin: Models of European trains made in Germany (not China)
 - Steam engines can be worth \$100s
 - Lionel: Rare items, in good condition, with boxes, can be worth \$100s
 - Used equipment without boxes has little value unless it is a large collection –100 pieces or more
 - American Flyer: These trains are the “little brothers” of Lionel both in size and value but a large collection could have value.
 - Some hard bound railroad picture books in good condition, stored in a non-smoking home, can be worth \$50 - \$100
 - Large collections can be worth \$1,000s
 - Antique book sellers are the bulk buyers of these items



Potential High Value Items (concluded)

- **Brass models: Engines and railroad cars made of brass – painted or not – may be valuable**
 - Years ago they were the finest models available
 - Investment value may be disappearing
 - The market probably peaked 10 years ago
 - Older pieces with poor drive mechanisms aren't worth a lot
 - The best engines can be worth \$1,000 or more
 - More mundane items may go for low \$100s or less
 - These models came in nice boxes with liners; value is much lower without the boxes
 - Items previously available only in brass reissued in plastic or hybrid have decreased value of older brass
- **Collectable kits: A few kits of structures have become collectables and can be worth a few \$100s. Brand names to look for are Fine Scale Miniatures, South River Models and Sierra West**
- **Electrical controls and powered tools: Train control systems and electronics and specialized tools such as a lathe can be valuable. These items have labels; use them to check eBay prices**



Disposal Approaches (Overview)

- ◆ **Sell or give away?**
 - This is where you use the inventory and current value
 - Unless the collection includes unique and rare items, the collection often not be worth original purchase price
 - Are the anticipated proceeds worth the effort?
 - Selling yourself may get most \$s, but require much effort
 - Is the collection viewed as an asset?
- ◆ **Alternative selling strategies**
 - Sell collection to dealer/broker/reseller/consignment
 - Sell it yourself
- ◆ **Donate**
 - To a 501(c)3 tax-deductible organization
 - Value assessment needed to substantiate tax deduction
 - To known individual(s) with no tax credit
 - 2018 tax law makes deduction less important



Understand Sellers

- ◆ **Seller may be volunteer or professional**
- ◆ **Selling involves effort and expenses**
 - **May need to ship collection to seller for assessment and resale**
 - **Careful packing and shipping very time consuming & expensive**
 - **Carrying inventory, advertising, printing lists, cleaning and repairing, paying auction & credit card fees, packing and shipping, etc.**
 - **A business will want to be compensated, volunteer might not**
- ◆ **Make sure you understand how seller is compensated**
 - **Buy all or part of collection for negotiated wholesale price**
 - **Charge assessment fee plus percentage of sale price**
- ◆ **Most sellers are reputable, but checking is advisable**



When You Sell Collection Yourself

- ◆ Effort required to determine market value
 - What are similar items selling for on eBay?
 - Be sure of item identification, many similar
 - Look at the asking price and most important, look for bids
 - “Watch” these items to see if they do sell and at what price
- ◆ Determine costs for selected method of selling: advertising, printing lists, cleaning and repairing, auction fees, credit card fees, packing and shipping, etc.
- ◆ Ensure the physical security of the collection (e.g., it remains in a dry temperature controlled environment).



Selling the Collection

- ◆ **Publicity**
 - Distribute a list of sale items by email or on groups or website
 - Advertise in NMRA division and regional newsletters
- ◆ **Physical sale held at a certain place, date, and time**
 - Fixed price or auction (auctioneer or silent)
- ◆ **Virtual web market place (eBay, Craigslist) — fixed price or auction**
 - Will require considerable time and energy
 - Have to research market prices, photograph and describe the items, deal with the auctions, and pack and ship the equipment when sold
 - Companies can do all this for you for a fee or percentage
- ◆ **Model train show, swap meet or “white elephant” sale**
 - May be fees for tables or percentage of selling price
 - Need to research the market to set selling price
 - Spend the time at the meet selling the equipment
 - Schlep to and from (you probably won't sell everything at once, necessitating multiple sales attempts)



Potential Seller Contact Information

- ◆ The Great Scale Model Train Show (www.gsmts.com) Show Location: Maryland State Fair 2200 York Rd. Timonium, MD 21093. Shows are held 4 times a year, in February, April, June (or July) and October.
- ◆ Makin' Tracks, an HO scale focused retail operation selling quality new items, some very nice vintage pieces, detail parts, and layout building supplies, Fredericksburg VA (makemytracks.com)
- ◆ Brass Trains.com (www.brasstrains.com) is a web consignment reseller of brass models. They also advertise that they buy estate train collections including non-brass items.
- ◆ Trainz (trainz.com) is always looking for great trains and accessories to satisfy the demand of our large and ever growing customer base. We do the hard work for you and guarantee fair pricing!
- ◆ American Eagle (www.aergroup.net/) either buy it all or sell it all. This would include – scenery, parts (new/broken), all scales of O, G, HO, N, Z, toys, parts, junk, track, etc.
- ◆ The Chicago Kid -- is a collector and buyer of trains and old toys. Contact: jay@thechicagokid.com 847-913-1205
- ◆ Max & Son Model Railroaders. Contact Bill Sydow at westernrrfan@gmail.com or 719-393-5826.



Voice of Experience #1

- ◆ Have a decent inventory, especially of the expensive stuff
- ◆ Modeler should
 - Arrange for someone to help heirs deal with collection
 - Leave instructions to heirs about objectives when selling collection
 - How much they care about
 - Top dollar or just happy it gets to a good home
 - Don't want heirs stressing over their trains
- ◆ Some heirs (mistakenly or correctly) think their loved one would
 - Hate to see collection broken up or sold cheap and fast
 - Rather have them in loving home
- ◆ Some heirs
 - Get wound up in getting full value and push too far with buyers
 - Don't realize how much work it can be to sell collection
 - Don't realize it can be a real crap shoot on what you can get for model trains at any one time
- ◆ Executor should realistically estimate return on time and effort



Voice of Experience #2

- ◆ Unfair to stick adult children or surviving spouse with disposal process
- ◆ Less painful than I expected it to be
- ◆ Started with items that I will never run again
- ◆ I will keep most of my favorites as long as I can
- ◆ eBay has made selling easy
 - Listing 2 or 3 items for 10 days and if they don't sell I leave them for 10 more or drop the price \$5 or \$10 until they do sell
 - I start the bidding at approximate price people are willing to pay
 - My price is firm until I change it and I won't go below what I feel is a fair value from my computerized bidding history lists
- ◆ I'm taking my time in selling just as I did when I was buying
 - At my age this is as much an expression of optimism as it is of economic theory
 - My heirs may not enjoy the luxury of that approach unless they're as willing to take the time to sell on eBay the way that I have



Voice of Experience # 3

- ◆ It is in your power to help the people you leave behind with a guide on what to do with your collection
- ◆ Be very honest about your collection
 - Maybe you didn't care if anyone else cares about in the future
 - Maybe you spent \$100,000 over the years and you may not have wanted to reveal that to your family. But you may have salted away a real gem or two that will go a long way to recovering some of that investment.
- ◆ Important that your wishes be expressed in a legal way to avoid confusion at a very emotional time.
 - Leave a plan to distribute, preserve, or sell your collection with your will
 - Have a person that understands the hobby as either the executor or as a resource to the executor.
- ◆ Have inventory for the executor containing approximate value



Converting Collection into Cash

Alternative	Speed	Effort	\$
Auction company	fast	low	lower
Estate purchase companies	fast	low	higher
Ebay	moderate	medium/high	medium
Consignment	slow	low	medium
Flea markets / train shows	slow	high	medium



Voice of Experience # 4

- ◆ I have had to dispose of a couple of layouts because of moves
- ◆ Planning is essential in the construction of a layout
- ◆ It is prudent to also plan for the disposition of the layout
- ◆ Keep a detailed notebook to annotate layout construction and notes that would help in disposition
- ◆ A large number of photos should be taken as construction progresses
- ◆ Use wood screws and deck screws for anything attached to walls of the room
- ◆ About the only parts that were screwed and glued were the pieces of the “L” girders and those areas essential for strength or in unique sections of the layout.
- ◆ Remove all locomotives, rolling stock, and vehicles
- ◆ Remove salvageable layout structures that would be useable for others
- ◆ Gather figures and details such as telephone poles, switch stands, signs, and loose details



Voice of Experience # 5

- ◆ **Make a list of a few particular items to go to relatives and friends**
- ◆ **List items with special meaning, including some spouse had helped construct and would keep for their memories and their intrinsic aesthetic value.**
- ◆ **Identify tools and modeling materials that have applications to other household and hobby activities for “re-purposing”**
- ◆ **Identify portions of layout might be reconfigured into easily moved free-standing units**
- ◆ **Advice to “model railroad spouses” says one widow**
 - **Get your husband to at least make a list of valuable items, like locomotives**
 - **Get his wishes as to where he wants stuff to go**
 - **From time to time, take you along to hobby shops and train shows so you know about them**



Wrap Up

- ◆ **Get prepared for the end of your model railroading**
 - You or your survivors will have to dispose of your layout and collection
- ◆ **Get organized**
 - Make an inventory
 - Physically organize, take pictures
- ◆ **Leave written Instructions – Will or Instructions for Executor**
- ◆ **Determine present value**
 - Layout May Be An Expense
- ◆ **Unattached Items (a.k.a. The Collection) may include high value Items**
- ◆ **Consider alternative approaches to disposition**
 - Understand sellers
 - Sell collection yourself



Availability

- ◆ This clinic and a report are available at

TBD

