

How executors can determine the value – and tax implications – of collectibles in an estate

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Executors must put a number on an estate's value, but when dealing with collectibles, how do they distinguish the treasure from the trash?

Kelly Juhasz, appraiser at Toronto-based Fine Art Appraisal and Services, advises executors to contact a qualified appraiser who can provide an estimate of the value of different items based on market evidence.

“Executors need to understand what [the deceased] had, and then they can make better decisions about what to do with the objects,” Ms. Juhasz says.

Appraisal fees can range from \$150 to \$350 an hour, so the cost depends on the time it takes to conduct the evaluation, research and analyze the market, and write the report, she says. Fees aren't tied to the value of the objects.

Niche items, such as a [classic vehicle](#), likely would need an appraiser specific to that field, Ms. Juhasz adds.

Heela Donsky Walker, partner at Robins Appleby Barristers and Solicitors in Toronto, says in a best-case scenario, the deceased would have prepared their collectible inventory list in a [death binder](#) or another location that's easy for the executor to find.

But if the person died without a will, and other important documentation on collectibles can't be found, it may be a matter of starting from scratch.

Ms. Donsky Walker advises putting aside items such as artwork, jewellery, stamp or comic collections, watches, sports memorabilia, trading cards and coins to be reviewed by a general appraiser.

Some items, such as most china and flatware patterns, have fallen out of favour in recent years. But she notes that other collectibles are gaining ground such as ceramicware, handbags and clothing from top designers.

“Some of these high-value handbags come with certificates; they have particular packaging,” she says.

Maintaining and managing an itemized list of collectibles

Tannie Ng, vice-president, fine art, jewellery and valuable collections manager at Chubb Insurance Co. of Canada in Toronto, says preparing an inventory of collectibles means maintaining and managing an itemized list – and keeping all related invoices and receipts.

Executors need to know the location of all the collectibles as well. In the case of artwork, she says, it's not uncommon for wealthy clients to display paintings not just in their homes but also in their cottages, offices or even on loan at a small museum or business.

Some items that are deemed valuable and not simply personal property may trigger capital gains taxes at the date of death, when assets are deemed to have been sold, Ms. Donsky Walker says.

Executors provide each item's value to an accountant who will determine whether capital gains are in order, she adds. Collectibles sold will result in a 50 per cent capital gain (or loss) for the proceeds minus the adjusted cost base. Collectibles worth less than \$1,000 won't result in a capital gain. Capital losses related to collectibles are generally not allowed to be claimed, Ms. Donsky Walker notes.

The appraisal paperwork doesn't need to be submitted to the Canada Revenue Agency, but executors should keep all statements and appraisal findings in case the agency wants more information, she adds.

In some cases, the valuation of an item may not be necessary. For example, if the deceased left a collectible to a specific person in the will and it is clear there is no applicable gain, the executor can just pass the item on to them, Ms. Donsky Walker says. The heir can then determine if they want to have everything appraised.

"If [the heir] wants to throw out the item, sell it, or appraise it, the executor wouldn't necessarily have that responsibility," Ms. Donsky Walker says.

But in a case in which, for example, the will states leaving half of an estate to one person, the executor would need to value all the assets to determine that the heir will be receiving 50 per cent.

Protecting collectibles is another must-do for the executor. While most wealthy people know to insure their valuables, Ms. Ng says they may not get regular appraisals and items could have increased or decreased considerably in value.

Some people also don't have adequate insurance in case an item is stolen, lost or damaged, she adds. Those riders are paramount when collectibles need to be transferred to heirs who may be out of the province or country.

Sometimes, insurance coverage is part of the homeowner's policy but that can be restricting.

"It's very limited coverage," she says. "There can be exclusions and deductibles. Collectible items require special treatment."

#### The financial advisor's role

Financial advisors can help clients with the process by connecting them with appraisers and other professionals.

Ms. Juhasz says it's relatively new for financial advisors to reach out to her on a client's behalf – normally the surviving family or the executor calls – but she's glad to see advisors recognizing the role of appraisers.

Besides advisors, appraisers are often referred by an estate lawyer or insurance company specializing in collectibles.

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