

# Sound Advice



## Pablo Picasso's Estate Legacy or The Great Procrastinator

By Rod Tyler, CFP, R. F. P., CLU

The name **Pablo Picasso** is one of, if not the most recognized, names in the Western art world. Anyone who has had even a casual introduction to art history can cite his most famous works of art, two of which appear in this article. In this brief look at one of the most iconic artists of the 20th century, we will examine just how long a shadow Picasso still casts over the art world. We will also witness why Picasso's life has become a perfect example of "what not to do" about your estate plan and what happens if you choose to ignore what happens to your family when you die.

**P**icasso was one of the most prolific artists of the 20th century. When he died in 1973 at age 91, he left behind a legacy of some 45,000 artworks, and all the complications of licensing the use of his artwork, authenticating his work, and protecting it from countless forgers. He also died intestate, never taking the time to write his will.

Perhaps it was a deliberate choice. Perhaps it was the inevitable, given his life story. While Picasso was a prolific artist, he was equally adept as a lady's man. He was renowned for his multiple relationships, which include three marriages, several mistresses and ultimately fathered 4 children with three separate women. The family, writer Deborah Trustman noted at the time, "resembles one of Picasso's constructions – wives, mistresses, legitimate and illegitimate children, (his youngest born 28 years after his oldest) and grandchildren, all strung on an axis, like the backbone of a figure with unmatched parts."

At the time of his passing in 1973, his works included 1885 paintings, 1228 sculptures, 7089 drawings, 30,000 prints, 150 sketchbooks and 3222 ceramic works. There were also a vast number of illustrated books, copper plates, and

tapestries. His accumulated wealth allowed him to own 2 chateaus and three other homes. Picasso was also an itinerant artist. He lived and worked in 20 different places from 1900 to 1973. His estate included \$1.3 million in gold, as well as stocks and bonds, although the total value was never disclosed. In 1980 his estate was appraised at \$250 million, but experts indicated that the true value was more likely in the billions. Picasso had kept many of his paintings off the art market since he had no need to sell the work. He also collected and exchanged the work of many other famous artists, such as Henri Matisse. Picasso, a Spaniard by birth, had lived and worked in France for most of his life. At the time of his death, the taxes and duties owing to the French state were paid, not by cash, but by an arrangement in the form of a portion of his artworks and collection. As we will discover, this turned out very well for the French government. These same works now form the basis of the art collection of the Musee Picasso in Paris.

In 2003 his relatives inaugurated a museum dedicated to his birthplace of Malaga, Spain known as Museo Picasso Malaga. Also, Museo Picasso in Barcelona Spain fea-



Old Guitarrist, Pablo Picasso, 1904



La Reve, Pablo Picasso, 1932

tures many of his early works produced while living and studying in Spain. It seems that the French and Spanish were quick to realize the immense value of the artistic icon that Picasso had become. In 2015, one of Picasso's paintings, **Les Femmes d'Alger**, or The Women of Algiers, who his daughter Maya watched him paint, sold at auction for \$179 million US or about \$233 million Canadian. In other words, almost the same value as his original estate. Imagine the true value of all the tourism dollars generated in France and Spain by Picasso in the past 50 years. Now imagine how much more will flow through the public coffers in the years to come.

Not to be excluded, art thieves have not missed out on this bonanza. More of Picasso's paintings have been stolen

than the paintings of any other artist, with the official Art Loss Register listing 550 Picasso works as missing.

On a personal note, if you happen to be in Vancouver between now and Oct 2nd this year and would like to see Picasso's art, be sure to see the Picasso exhibition at The Vancouver Art Gallery.

So what, may you ask, is my point? Really, what has been lost? It seems that the art world is doing fine selling, collecting, reselling and recovering Picasso's works. The French government and Paris tourism will benefit for many, many years to come. The initial cost of resolving the six-year quarrel over the estate cost \$30 million, so it seems the legal profession has also benefited. The remaining heirs will almost certainly continue to benefit from the various licensing's fees and the sale proceeds of Picasso's works. So again I ask, what's the problem?

Perhaps we should ask that question of his former wives, children and grandchildren and perhaps even some of his long-time mis-

tresses. How do they feel? What if Picasso had left instructions that left all of them some portion of his estate? Would the families be better off emotionally? Would they have been closer? We will never know.

Technically, it is often said that if you don't leave a will, you die intestate. But what that doesn't say is, that despite the fact that there is no will, there is still a process to decide on who gets what. In each province in Canada, legislation exists that divides a deceased person's estate into portions, all determined by a prearranged formula. In other words, there is a kind of will, just not the one you want. It will almost always disappoint or leave out certain family or loved ones, or reduce their inheritance to a fraction of what you might have intended. That sounds like such a heavy price to pay for procrastination or neglect.

By contrast, if you are interested in how a well-crafted estate plan can benefit you and your family, you may wish to read a couple of examples of prior issues of *Sound Advice*.

- [Ada Staples story](#)

- [Warren Buffett/Bill and Melinda Gates story](#)

**Not convinced?** You may want to read these other examples of *Great Estate Planning Failures*:

[Harold Ballard](#) and [Babe Ruth](#) stories

If you or someone in your family would like to discuss your estate planning wishes, please call us. The financial planners in our office are trained to help you identify many of the issues or opportunities in a well-crafted estate plan. If you don't currently have a trusted legal advisor, we can provide you with referrals to lawyers who specialize in this area of legal counsel. We look forward to hearing from you.

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# The Problem with Predictions

*“Knowing what you can and can’t know”*

By Rod Tyler, CFP, R. F. P., CLU

I recall as a young man that our family traditionally sat down to eat dinner every evening. My mother was a great cook, especially because she could prepare enough food to feed three hungry boys (sometimes their friends), my little sister, my dad and still have enough left over for herself. In addition to her culinary skills, she also eventually needed to become a master of diplomacy. By the time I was 18 years old, I had thought I knew all the answers, especially to subjects to which I had recently been introduced, such as economics. I was an “expert”, if only in my own mind. My father would often suggest that there was more to the discussion than I had considered. My “18-year-old ego” couldn’t accept such advice, so Dad and I would have intense debates. Then Mom would intervene with an even better idea, “Who wants dessert?” That usually calmed the discussion until the next time. What amazes me now, in retrospect, is how much “smarter” my Dad appeared to me as I experienced life as it really happens.

Looking back to my early adolescent pronouncements, I think of the many silly predictions that are made every day by so-called “experts”. There is no shortage of opinion about whether the price of oil will rise, or who will be the next President of the United States, or if the economy will expand or contract at some rate of return. The experts seem convinced of their predictions. The problem is not that there are too few experts making predictions! The problem is the accuracy of the predictions made by “experts”.

Last month I attended one of the annual meetings of our preferred investment managers. Each year I look forward to this event, not because I expect to get a hot tip, or be able to relay what is going to happen next in our economy. I don’t expect insights into interest rate changes, or who or what will be next year’s financial winners. That is not what I expect to learn, and I can confirm that on these matters, that I received no special insight, nor do I have any “expert” opinions. However, this is what I did learn. The reason why you cannot answer these questions with any accuracy is fairly simple. **I don’t think anybody knows because these questions are unknowable**, for the reason that the actual sequence and timing of such events is unknowable. Over longer periods of time, things can be relatively predictable, but over short periods of time,

many events are completely random. Think of it like the weather. In the short term, it’s difficult to know what will happen in the next three weeks. Will it rain or will it shine? However, over longer time frames, we know that the four seasons are still the defining force behind the weather patterns and the temperature. So let’s apply this principle to an example in finance: Interest rates.

Canada Government Bond 10Y



If you glance over the attached history of the Government of Canada’s 10-year bond rate, you will see how, in the last few years, bond yields have reached historic lows. It has taken 30 years for this to occur, but now the rate has touched approximately 1 ½ percent. Logic suggests that at some point, interest rates will rise. But exactly when this will happen is unknown. In other words, we know that eventually interest rates will rise. We just don’t know when. This question is an example of an “unknowable”.

Here is what is known. Rising interest rates will cause problems for anyone or any business that is over-indebted. There are some simple ways to avoid that outcome personally. More on that in a later article.

Another example of predictions are the forecasts of economic “experts” or economists telling us where the stock market will be at the end of the year. The actual results are in the graph below. Again, the economy is complicated and in the short term, can be affected by many random events. One year is a very short term. It is also true that the stock market does not always follow the economy. Now you are combining two predictions: the economy and

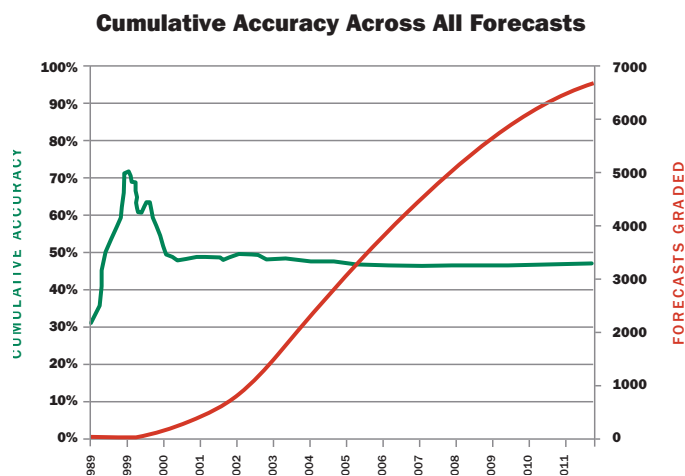


the stock market – both of which are unpredictable, and subject to random influences. No wonder that predictions are so unreliable. You might even conclude that such dismal forecasting results are completely predictable.

The chart below shows that after surveying thousands of expert predictions, the results were pathetic. The financial gurus could not even match the results of a 50/50-coin toss of getting the right answer. So why do the so called experts and gurus continue to issue these silly statements? Here is the answer:

*Forecasting isn't about predicting the market;  
it's about marketing the prediction.*

As one newsletter guru told me years ago, "Given a choice between great marketing and great forecasting, I'd pick great marketing every time."



Forbes Magazine, Jan. 10, 2013

The second question we need to ask is "Why do we continue to listen to these silly predictions?"

It is well known to students of human behavior that we all fear the unknown and crave certainty. Consider the athlete or coach in a sport who guarantees a win in a playoff game. In sports, there is a huge advantage for athletes who are highly motivated and confident, even though there is statistically a 50/50 chance of winning or losing. That is why the idea of certainty is so appealing. The problem is when you are dealing with complex systems, the outcome can be random.

The hard part for many of us to admit is that in some matters, we really don't know. So what are we tempted to do? We prefer to offer an opinion, rather than admit we do not know. Possibly we see the simple acknowledgment of "I don't know" as a sign of weakness, and so rather than admit that we do not know, we offer an opinion.

So here is my point about each of the investment professionals at this meeting I attended. Not one of these learned and experienced managers and analysts made a single pronouncement about the usual questions, such as:

1. Is the market going to crash?
2. Is the economy going to go into recession?
3. Is the U.S. Federal Reserve going to raise interest rates, and if so, when?
4. Will the price of gold go up? How high?
5. Will the price of oil rise? When and how much?
6. Who will win the American Presidential election?

Well, you get the idea.

Their answers were that they did not know. The reason they don't know is that in the short term, the answer is unknowable. Translation: Such predictions are essentially useless. Over longer periods (think 10 years), certain answers are more probable, but not certain. Or, as that master of philosophical wisdom, Yogi Berra once famously said:

*"It's tough to make predictions, especially about the future."*

If I wasn't getting the answer to the questions above, then what did I learn? Thank you for asking! What I learned was that this group of investment professionals focus intensely on what can be known, especially about the companies that they own or may consider owning.

In my next article, A Virtuous Circle of Continuous Innovation, I will share with you how they do that and what it means to your financial future.

In the meantime, I predict there will be lots more gurus and self-proclaimed experts offering their predictions! Until then, I welcome your comments and questions.



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