



Experts say Jobs' heirs should sell stock

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Wednesday, November 23, 2011

Steve Jobs' widow may never find a better moment to sell her late husband's \$6.78 billion of Apple and Walt Disney Co. stock.

Under federal law, Jobs' heirs may sell Apple and Disney and avoid \$867 million in capital gains taxes. If Apple's late co-founder left his estate to his wife, Laurene Powell Jobs, the family won't be liable for the 35 percent estate tax until she dies or gives money to others, according to estate planners.

"I can't see any reason not to sell all of it," said Kacy Gott, chief planning officer at the wealth-management firm Aspiriant, whose clients have assets of as much as \$100 million. "They should have been looking to diversify years ago."

Jobs' heirs should sell some stock to reduce the estate's risks, said **Joyce Franklin**, a San Francisco financial planner who works with high-tech executives. Making sales more attractive: the capital gains tax is set to rise to 20 percent in 2013 from 15 percent now, and high-income Americans will also be subject to a 3.8 percent levy on unearned gains.

Jobs owned 138 million Disney shares, valued Monday at \$4.74 billion, and 5.55 million Apple shares worth \$2.05 billion, according to filings. Proxy statements show Jobs moved his holdings into trusts as his health worsened. Trusts let people distribute wealth over time and avoid probate fees.

Tax bill

If Jobs had sold all of his Disney and Apple shares on Oct. 4, the day before he died, he would have registered a gain of about \$5.78 billion and a tax bill of \$867 million. That's based on his investment of \$55 million in Emeryville's Pixar Studios, now part of Disney, and Apple shares granted in March 2003. They vested three years later at \$64.66 each, filings show.

Candace Pugatch, a spokeswoman for Laurene Powell Jobs, declined to comment on her tax situation or whether she plans to buy or sell any Apple or Disney shares.

Of the two holdings, Disney would be more complicated to sell. The stock represents almost 12 times the average number of Disney shares traded each day over the past year.

Disney, based in Burbank, could buy some or all of the shares, said Michael Morris, an analyst with Davenport & Co., who rates the stock "neutral."

"They have not used leverage as effectively as other media companies, and have the capacity to take on the added debt," Morris said. The company bought back \$5 billion in shares in fiscal 2011, according to a Nov.

10 statement.

The Apple holdings represent less than a third of the 17.6 million shares traded on a daily basis, making an open market sale much simpler.

"She may want to maintain the link because of what the companies meant to her husband, but legacy is the only reason to hold any of it," Gott said. "You wouldn't go out and buy \$5 billion in Disney stock, so why should you keep it?"

Jobs died on Oct. 5 at age 56 from complications of pancreatic cancer. His will hasn't been made public. Jobs is survived by his wife and four children, Lisa, Eve, Erin and Reed.

Under the law, the trust can sell the shares and incur taxes only on the appreciation since Jobs' death - a gain of about \$338 million. If Jobs had died in 2010, when there was no estate tax, his heirs would have faced the capital gains tax on his entire investment profit if they had sold. That provision lapsed in 2011 when the estate tax was reinstated.

Disney holding

The largest holding is Jobs' 7.4 percent Disney stake, shares received in 2006 when the media and theme-park company acquired Pixar for \$7.01 billion in stock.

Jobs bought Pixar from "Star Wars" creator George Lucas for \$5 million in 1986 and invested \$50 million more in the computer animation company over a decade, according to a person with knowledge of the situation who wouldn't speak publicly. When Jobs died, the Disney stake was worth \$4.35 billion.

Excluding dividends, that marks an 18.5 percent annual return through Oct. 5, based on \$55 million invested at the end of 1986. In that span, Warren Buffett's Berkshire Hathaway Inc. produced a 15.4 percent average yearly gain, using historical prices from Global Financial Data and returns compiled by Bloomberg.

Jobs' cost is probably what he spent to create Pixar, said Janet Brewer, a Palo Alto lawyer who has worked with estates of as much as \$300 million. She has no knowledge of the family's actual holdings.

"From a tax point of view, this is the perfect time to diversify," Brewer said.

<http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2011/11/23/BUSI1M2HMI.DTL>

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