



**BERNSTEIN**

# SHOULD YOU SELL YOUR SONG CATALOG?

## Make an Informed Decision with Bernstein's Wealth Forecasting System<sup>SM</sup>

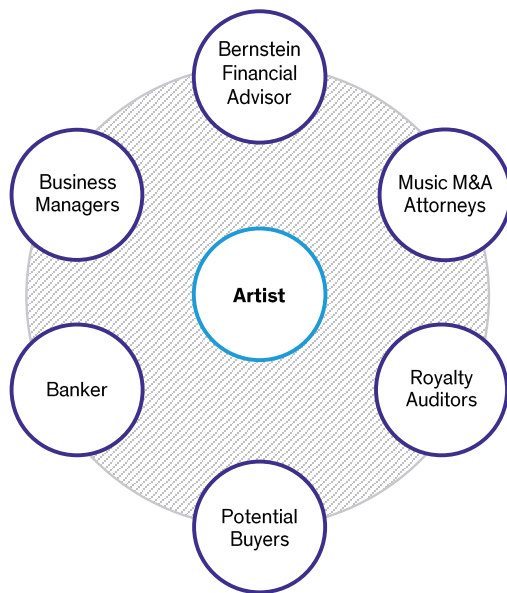
Financial decisions—including whether to sell a song catalog—can have implications for many decades. Artists need a way to prudently evaluate these long-term effects. Bernstein's Wealth Forecasting System<sup>SM</sup> considers the potential benefit of selling a song catalog today vs. continuing to receive a royalty stream.

### HOW BERNSTEIN EVALUATES A POTENTIAL SALE

Our Wealth Forecasting System<sup>SM</sup> allows artists to pre-experience the impact of selling their songs to help them know, with a high degree of certainty, the result of their decision on future wealth. We take the known facts—current royalty stream and proposed purchase price—and compare it against future unknown variables—potential decay in the royalty stream and capital market conditions. Our team of experienced professionals can provide you with a timely analysis that calculates the probabilities that a deal will meet your spending, legacy, and philanthropic goals.

“*Bernstein is in a unique position. We do not buy or sell catalogs. Nor do we act as a broker on sales. We also don't do valuation work or opine on the future of the music industry or popularity of a song. We provide a complementary\* analysis of the potential sale price relative to their current income stream to help artists plan for current and future wealth, and answer the question: Should I sell my catalog?*”

### BERNSTEIN CATALOG SALE ADVISORY SERVICES



Specifically, we:

- Compare a sale today to a variety of potential future royalty streams, including decaying scenarios
- Consider the current interest rate and economic environments
- Analyze and implement investment strategies and asset allocation, customized for lifestyle and long-term wealth objectives
- Stress test post-transaction investment plans with various spending thresholds to meet lifestyle and wealth transfer goals

### WHAT SETS US APART

Our Sports and Entertainment Group understand the needs of artists and entertainers because many of us come from the same industries. Specifically, our group offers the expertise of veterans in the music industry who have helped steer the careers of several music artists over many decades. Combined with our leading global research, state-of-the-art technology, and top investment professionals, we seamlessly navigate the inherent complexities of our clients' lifestyles and guide them toward their wealth goals. We know how to make money meaningful.

**For illustrative purposes only.**  
Source: AB

## GETTING THE RIGHT DEAL FOR YOU

What are the financial trade-offs of accepting an offer for your song catalog versus continuing to receive a royalty stream? Let's walk through an example to determine the optimal strategy:

Ellyn, a 28-year-old singer-songwriter, received an offer of \$20 million for her song catalog. She's not sure if she should continue to receive royalty payments or accept the sale offer. Currently she uses the royalty payments to cover \$250,000 of her annual expenses and expects that will continue through her life.

Bernstein's analysis offers a range of possible outcomes, depending on the market conditions over the period and the potential change in future royalty payments. Below we show portfolio values at year 20 based on a typical market environment and accounting for her annual spending of \$250,000. If Ellyn sells today, her portfolio would grow to \$16.1 million over the 20-year period. If she chooses to keep receiving the royalties, and the annual payment remains stable, she would have \$15.1 million. But that value does not include many uncertainties that could cause the royalty stream to decay over time.

A decaying stream would give her a lower portfolio value—\$12 million with 2% decay or \$8.4 million with 5% decay. So, only in the unlikely event that the royalty stream doesn't decay will her total accumulated wealth be close to selling today. Even then, Ellyn must be disciplined in investing the royalties as they are paid if she hopes to match that wealth.

We modeled four scenarios to help Ellyn make her decision:

**Scenario A: \$20 million sale taxed as capital gains**

**Scenario B: \$1,538,462 fixed annual royalty**

**Scenario C: 2% annual decay on royalty stream**

**Scenario D: 5% annual decay on royalty stream**

### PROJECTED WEALTH: YEAR 20

Typical Outcome (USD millions)—Taxable\*\*



\*\*A "typical" outcome is based on the median results of the WFA. Returns are in nominal terms and annual withdrawals are inflation-adjusted. We assumed an asset allocation for her portfolio of 40% globally diversified equities and 60% bonds. Taxes are modeled on California rates. AB is not a legal, tax, or estate advisor. Investors should consult these professionals as appropriate before making any decisions.

\*Bernstein does not obtain fees from our wealth forecasting analysis. We are only paid on assets under management.

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#### The Bernstein Wealth Forecasting System

The Bernstein Wealth Forecasting System<sup>SM</sup> uses a Monte Carlo model that simulates 10,000 plausible paths of return for each asset class and inflation and produces a probability distribution of outcomes. The model does not draw randomly from a set of historical returns to produce estimates for the future. Instead, the forecasts (1) are based on the building blocks of asset returns, such as inflation, yields, yield spreads, stock earnings, and price multiples; (2) incorporate the linkages that exist among the returns of various asset classes; (3) take into account current market conditions at the beginning of the analysis; and (4) factor in a reasonable degree of randomness and unpredictability. Moreover, actual future results may not meet Bernstein's estimates of the range of market returns, as these results are subject to a variety of economic, market, and other variables. Accordingly, the analysis should not be construed as a promise of actual future results, the actual range of future results, or the actual probability that these results will be realized.

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