

# Optimizing your car collection

Your cars are your passion. They're also a significant asset on your balance sheet. J.P. Morgan can help you make sure your car collection receives the same level of sophisticated planning and attention as your traditional assets. This checklist is meant to be a good start and ongoing reference. Here, you'll find some of the key points that should be addressed by anyone who owns collectible automobiles.

## Overview

At J.P. Morgan, we apply a simple three-step framework to planning for a passion asset. First, there is the acquisition phase: What can you do to make a smart purchase? Next, of course, is the actual ownership phase. And finally, disposition—the most often overlooked phase of owning any passion asset.



## Acquisition

It's easy to fall in love with a car. But how do you know it's right for your collection, and what's the best way for you to go about purchasing it?

- **Provenance**—Is there something special about the car's history that makes it stand out? Did it win Le Mans? Was it the actor Steve McQueen's ride in the 1968 movie *Bullitt*? Was it the first of its kind imported to North America? Or for that matter, do all its serial numbers match, ensuring that it's what the seller claims it to be?
  - Ask for historical maintenance records
  - Get a pre-purchase inspection (PPI)
  - Understand the degree to which the car is original or restored
- **Market value**—The car market can be tricky to navigate. As most auto enthusiasts are aware, a car's value is determined by such factors as its year of production, color, provenance, the originality of its parts or paint, and market conditions. Values also can vary depending on whether the car is being sold at public auction or privately. For these reasons, buyers are well advised to:
  - Engage reputable professionals
  - Study recent auction values and private sales data, including consulting reputable sources for "comparables"

## IN BRIEF

- **Acquisition**
  - Provenance
  - Market value
  - Financing
  - International purchases
- **Ownership**
  - Title
  - Situs
  - Insurance
  - Use
  - Securing and maintaining
  - Wealth planning
  - Building or rotating your collection
- **Disposition**
  - Maintaining the collection
  - Selling the collection
  - Implementing your goals



## Acquisition *Continued*

- **Financing**—Consider your options. For example, you might:
  - Pay out of pocket—This is perhaps the most expedient way to acquire a new car, especially if you expect it to appreciate in value, have sufficient liquidity and don't mind expending it
  - Sell investments to generate liquidity—This option is generally ill-advised, especially if you're disrupting your portfolio and creating a capital gains tax bill
  - Borrow—Many car buyers do borrow, using currently owned cars or other assets as collateral
  - Establish a securities-based line of credit—One of the savviest approaches is to create and use a line of credit so you can make a purchase whenever you like
- **International purchases**—Often high-end collectors find themselves buying cars all over the world and facing foreign currency considerations. Usually, there's a schedule of payments that creates hedging opportunities, foreign currency exposure risks and home currency exchange issues. Planning in advance of the transaction for each can be invaluable.
  - Engage with a specialty import firm that can help you navigate and execute on these waters
  - Ask for an institutional rate of exchange
  - Consider establishing a foreign currency or multicurrency line of credit
  - Think through your best hedging strategies



## Ownership

Once you've decided upon the car, the questions become: How will you actually own, maintain, protect and enjoy it?

- **Title**—To protect your personal assets from creditors and liability related to your cars, consider creating a limited liability company that will own your collection. You can have partnership interests in that LLC and may, if you wish, gift some of these interests to others. An LLC can offer important benefits. It can, for example, shield the identities of collectors who wish to keep their personal identities private. LLCs also can protect personal assets outside of the collection from creditors if there are injuries or accidents related to the collection
- **Situs**—It is worth exploring where (i.e., in which state) your car should be registered, as that situs will help determine how much sales tax you'll owe when you buy and sell vehicles. For example, some states, such as Montana, do not charge sales tax on personal property. However, it is important to note that this benefit is intended for individuals and companies who actually have a presence in that state
- **Insurance**—Hopefully you will never need to make a claim, but if you do, having the wrong insurance can create serious problems. Check into specialty insurers that have experience with rare and collectible cars. And be sure to understand what methodology is being used in a proposed policy. For example, in the event of a loss, will the insurer be reimbursing based on:
  - Agreed value, which is the reimbursement value that the insurer and the policy holder have agreed upon in advance
  - Actual cash value, which will be based on market value, less depreciation, at the time of the loss
  - Replacement value, with no depreciation applied, is usually offered only for cars owned for less than three years
- **Use**—Obviously, cars can be driven on public roads, exposing them to risks. When building a collection, it is important to consider whether your cars will be handled as “value in use” or “value in place”:
  - “Value in use” means you are going to drive, race, display and keep gas in some or all of your vehicles. There are distinct insurance needs as well as transportation costs if you are going to put your cars on the road, ship them to car shows and/or move them internationally
  - “Value in place” means you are keeping the cars in a safe place (such as a temperature-controlled warehouse) because you are treating them as an investment that you believe will appreciate in value. The wheels aren't going to turn. Of course, even if you never put them on the road, they need to be insured



## Ownership *Continued*

- **Securing and maintaining**—Whether the cars are being used or warehoused, you obviously want to preserve their value. You'll need:
  - Security systems and knowledge of who has access to your garage
  - Storage with special requirements, including fire-suppression and climate control. Humidity is also a significant consideration, given that cars can rust, and rubber gaskets and hoses can become dry and brittle
  - Mechanics, either outsourced or in-house; skilled workers who understand how to move these kinds of cars, how to test the moving parts, keep the right fluids in and at the right levels over time—as well as special tools and parts. A vehicle that starts up and can be driven is generally a lot more valuable, regardless of the age, than a vehicle that no longer can
- **Wealth planning**—When cars are a significant asset, you can use them to:
  - Grow your wealth with tax-aware borrowing—Consider borrowing against these assets for purposes other than car collecting. For example, if you use loan proceeds solely for taxable investments, the interest on those loans may be fully tax-deductible
  - Preserve wealth—It is essential that you make plans for your estate and include the cars, keeping those plans up-to-date
- **Building or rotating your collection**—At one end of the spectrum are the collectors who simply add to their collections over time. At the other end are those who are constantly and actively buying and selling vehicles. Wherever you fall in this continuum, you'll want to make sure that your financial arrangements, insurance and estate planning all keep pace with your collection.



## Disposition

Do you want the collection you built to be kept intact after you're gone? Or perhaps you don't care if the collection is split up? Maybe there are one or two cars that certain members of your family would like to keep?

Each of these possible paths requires planning with a trusts and estates lawyer—and you have options.

- **Maintaining the collection**—Questions you'll want to answer include: Exactly how? (In a museum you create? As a donation to an existing museum? To one or more of your family members?) Will you also be providing sufficient funds for your inheritors to maintain the collection?
  - Private foundation—One strategy owners might take is to, while living, create a private foundation that they can donate their cars to. From there, the foundation can establish a museum that can house and display the collection. The tax benefits of this approach can be significant
- **Selling the collection**—Questions you'll want to answer include: Who will handle those sales most effectively? What will be the timing and the potential impact of this influx of capital to your estate on the division of your assets to heirs?
  - Heirs—If you'd like most of the collection sold but one or two vehicles to go to select family members, questions will include: How will those cars be valued at the time of your passing, and do you want to compensate other heirs for the value of the cars only some will receive?
- **Implementing your plans**—No matter what you plan, you'll want to decide:
  - Who should communicate your intentions to heirs
  - Who will value your vehicles at the time of your death
  - Who will oversee the implementation of all your plans, and whether there will be enough liquidity in your estate to cover any estate taxes due, or if you need to purchase insurance now to ensure there will be

## We can help



Some of the fun of owning great cars can be managing your collection to make sure you get the most of it and planning for its future. Your J.P. Morgan team and our firm's specialty asset professionals can help you make sure you keep the right questions and issues in mind—and have the right experts advising you along the way.

We also can make sure that the way you manage your car collection supports all the goals you have for for the near and long terms, for yourself and your loved ones.

Reach out to your J.P. Morgan team and let's talk cars.

**For illustrative purposes only. Estimates, forecasts and comparisons are as of the dates stated in the material.** All case studies are shown for illustrative purposes only, and are hypothetical. Any name referenced is fictional. Information is not a guarantee of future results. This material is distributed with the understanding that it is not rendering accounting, legal or tax advice. Consult your legal or tax advisor concerning such matters. For a complete discussion of risks associated with any investment, please review offering memorandum and speak with your J.P. Morgan team. JPMorgan Chase & Co. and its subsidiaries do not render accounting, legal or tax advice.

## IMPORTANT INFORMATION

### Key Risks

This material is for informational purposes only, and may inform you of certain products and services offered by private banking businesses, part of JPMorgan Chase & Co. ("JPM"). Products and services described, as well as associated fees, charges and interest rates, are subject to change in accordance with the applicable account agreements and may differ among geographic locations. Not all products and services are offered at all locations. If you are a person with a disability and need additional support accessing this material, please contact your J.P. Morgan team or email us at [accessibility.support@jpmorgan.com](mailto:accessibility.support@jpmorgan.com) for assistance. **Please read all Important Information.**

### General Risks & Considerations

Any views, strategies or products discussed in this material may not be appropriate for all individuals and are subject to risks. **Investors may get back less than they invested, and past performance is not a reliable indicator of future results.** Asset allocation/diversification does not guarantee a profit or protect against loss. Nothing in this material should be relied upon in isolation for the purpose of making an investment decision. You are urged to consider carefully whether the services, products, asset classes (e.g., equities, fixed income, alternative investments, commodities, etc.) or strategies discussed are suitable to your needs. You must also consider the objectives, risks, charges, and expenses associated with an investment service, product or strategy prior to making an investment decision. For this and more complete information, including discussion of your goals/situation, contact your J.P. Morgan team.

### Non-Reliance

Certain information contained in this material is believed to be reliable; however, JPM does not represent or warrant its accuracy, reliability or completeness, or accept any liability for any loss or damage (whether direct or indirect) arising out of the use of all or any part of this material. No representation or warranty should be made with regard to any computations, graphs, tables, diagrams or commentary in this material, which are provided for illustration/ reference purposes only. The views, opinions, estimates and strategies expressed in this material constitute our judgment based on current market conditions and are subject to change without notice. JPM assumes no duty to update any information in this material in the event that such information changes. Views, opinions, estimates and strategies expressed herein may differ from those expressed by other areas of JPM, views expressed for other purposes or in other contexts, and **this material should not be regarded as a research report.** Any projected results and risks are based solely on hypothetical examples cited, and actual results and risks will vary depending on specific circumstances. Forward-looking statements should not be considered as guarantees or predictions of future events.

Nothing in this document shall be construed as giving rise to any duty of care owed to, or advisory relationship with, you or any third party. Nothing in this document shall be regarded as an offer, solicitation, recommendation or advice (whether financial, accounting, legal, tax or other) given by J.P. Morgan and/or its officers or employees, irrespective of whether or not such communication was given at your request. J.P. Morgan and its affiliates and employees do not provide tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors before engaging in any financial transactions.

## IMPORTANT INFORMATION ABOUT YOUR INVESTMENTS AND POTENTIAL CONFLICTS OF INTEREST

Conflicts of interest will arise whenever JPMorgan Chase Bank, N.A. or any of its affiliates (together, "J.P. Morgan") have an actual or perceived economic or other incentive in its management of our clients' portfolios to act in a way that benefits J.P. Morgan. Conflicts will result, for example (to the extent the following activities are permitted in your account): (1) when J.P. Morgan invests in an investment product, such as a mutual fund, structured product, separately managed account or hedge fund issued or managed by JPMorgan Chase Bank, N.A. or an affiliate, such as J.P. Morgan Investment Management Inc.; (2) when a J.P. Morgan entity obtains services, including trade execution and trade clearing, from an affiliate; (3) when J.P. Morgan receives payment as a result of purchasing an investment product for a client's account; or (4) when J.P. Morgan receives payment for providing services (including shareholder servicing, recordkeeping or custody) with respect

to investment products purchased for a client's portfolio. Other conflicts will result because of relationships that J.P. Morgan has with other clients or when J.P. Morgan acts for its own account.

Investment strategies are selected from both J.P. Morgan and third-party asset managers and are subject to a review process by our manager research teams. From this pool of strategies, our portfolio construction teams select those strategies we believe fit our asset allocation goals and forward-looking views in order to meet the portfolio's investment objective.

As a general matter, we prefer J.P. Morgan managed strategies. We expect the proportion of J.P. Morgan managed strategies will be high (in fact, up to 100 percent) in strategies such as, for example, cash and high-quality fixed income, subject to applicable law and any account-specific considerations.

While our internally managed strategies generally align well with our forward-looking views, and we are familiar with the investment processes as well as the risk and compliance philosophy of the firm, it is important to note that J.P. Morgan receives more overall fees when internally managed strategies are included. We offer the option of choosing to exclude J.P. Morgan managed strategies (other than cash and liquidity products) in certain portfolios.

The Six Circles Funds are U.S.-registered mutual funds managed by J.P. Morgan and sub-advised by third parties. Although considered internally managed strategies, JPMC does not retain a fee for fund management or other fund services.

### Legal Entity, Brand & Regulatory Information

In the **United States**, bank deposit accounts and related services, such as checking, savings and bank lending, are offered by **JPMorgan Chase Bank, N.A.** Member FDIC.

**JPMorgan Chase Bank, N.A.** and its affiliates (collectively "**JPMCB**") offer investment products, which may include bank-managed investment accounts and custody, as part of its trust and fiduciary services. Other investment products and services, such as brokerage and advisory accounts, are offered through **J.P. Morgan Securities LLC ("JPMS")**, a member of **FINRA** and **SIPC**. Annuities are made available through Chase Insurance Agency, Inc. (CIA), a licensed insurance agency, doing business as Chase Insurance Agency Services, Inc. in Florida. JPMCB and JPMS and CIA are affiliated companies under the common control of JPM. Products not available in all states.

In **Germany**, this material is issued by **J.P. Morgan SE**, with its registered office at Taunusturm 1 (TaunusTurm), 60310 Frankfurt am Main, Germany, authorized by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and jointly supervised by the BaFin, the German Central Bank (Deutsche Bundesbank) and the European Central Bank (ECB). In **Luxembourg**, this material is issued by **J.P. Morgan SE—Luxembourg Branch**, with registered office at European Bank and Business Centre, 6 route de Treves, L-2633, Senningerberg, Luxembourg, authorized by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and jointly supervised by the BaFin, the German Central Bank (Deutsche Bundesbank) and the European Central Bank (ECB); J.P. Morgan SE—Luxembourg Branch is also supervised by the Commission de Surveillance du Secteur Financier (CSSF); registered under R.C.S Luxembourg B255938. In the **United Kingdom**, this material is issued by **J.P. Morgan SE—London Branch**, registered office at 25 Bank Street, Canary Wharf, London E14 5JP, authorized by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and jointly supervised by the BaFin, the German Central Bank (Deutsche Bundesbank) and the European Central Bank (ECB); J.P. Morgan SE—London Branch is also supervised by the Financial Conduct Authority and Prudential Regulation Authority. In **Spain**, this material is distributed by **J.P. Morgan SE, Sucursal en España**, with registered office at Paseo de la Castellana, 31, 28046 Madrid, Spain, authorized by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and jointly supervised by the BaFin, the German Central Bank (Deutsche Bundesbank) and the European Central Bank (ECB); J.P. Morgan SE, Sucursal en España is also supervised by the Spanish Securities Market Commission (CNMV); registered with Bank of Spain as a branch of J.P. Morgan SE under code 1567. In **Italy**, this material is distributed by **J.P. Morgan SE—Milan Branch**, with its registered office at Via Cordusio, n.3, Milan 20123, Italy, authorized by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and jointly supervised by the BaFin, the German Central Bank (Deutsche Bundesbank) and the European Central Bank (ECB); J.P. Morgan SE—Milan Branch is also supervised by Bank of Italy and the Commissione Nazionale per le Società e la Borsa (CONSOB); registered with

Bank of Italy as a branch of J.P. Morgan SE under code 8076; Milan Chamber of Commerce Registered Number: REA MI 2536325. In the **Netherlands**, this material is distributed by **J.P. Morgan SE—Amsterdam Branch**, with registered office at World Trade Centre, Tower B, Strawinskylaan 1135, 1077 XX, Amsterdam, The Netherlands, authorized by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and jointly supervised by the BaFin, the German Central Bank (Deutsche Bundesbank) and the European Central Bank (ECB); J.P. Morgan SE—Amsterdam Branch is also supervised by De Nederlandsche Bank (DNB) and the Autoriteit Financiële Markten (AFM) in the Netherlands. Registered with the Kamer van Koophandel as a branch of J.P. Morgan SE under registration number 72610220. In **Denmark**, this material is distributed by **J.P. Morgan SE—Copenhagen Branch, filial af J.P. Morgan SE, Tyskland**, with registered office at Kalvebod Brygge 39-41, 1560 København V, Denmark, authorized by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and jointly supervised by the BaFin, the German Central Bank (Deutsche Bundesbank) and the European Central Bank (ECB); J.P. Morgan SE—Copenhagen Branch, filial af J.P. Morgan SE, Tyskland is also supervised by Finanstilsynet (Danish FSA) and is registered with Finanstilsynet as a branch of J.P. Morgan SE under code 29010. In **Sweden**, this material is distributed by **J.P. Morgan SE—Stockholm Bankfilial**, with registered office at Hamngatan 15, Stockholm, 11147, Sweden, authorized by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and jointly supervised by the BaFin, the German Central Bank (Deutsche Bundesbank) and the European Central Bank (ECB); J.P. Morgan SE—Stockholm Bankfilial is also supervised by Finansinspektionen (Swedish FSA); registered with Finansinspektionen as a branch of J.P. Morgan SE. In **Belgium**, this material is distributed by **J.P. Morgan SE—Brussels Branch** with registered office at 35 Boulevard du Régent, 1000, Brussels, Belgium, authorized by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and jointly supervised by the BaFin, the German Central Bank (Deutsche Bundesbank) and the European Central Bank (ECB); J.P. Morgan SE Brussels Branch is also supervised by the National Bank of Belgium (NBB) and the Financial Services and Markets Authority (FSMA) in Belgium; registered with the NBB under registration number 0715.622.844. In **Greece**, this material is distributed by **J.P. Morgan SE—Athens Branch**, with its registered office at 3 Haritos Street, Athens, 10675, Greece, authorized by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and jointly supervised by the BaFin, the German Central Bank (Deutsche Bundesbank) and the European Central Bank (ECB); J.P. Morgan SE—Athens Branch is also supervised by Bank of Greece; registered with Bank of Greece as a branch of J.P. Morgan SE under code 124; Athens Chamber of Commerce Registered Number 158683760001; VAT Number 99676577. In **France**, this material is distributed by **J.P. Morgan SE—Paris Branch**, with its registered office at 14, Place Vendôme 75001 Paris, France, authorized by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and jointly supervised by the BaFin, the German Central Bank (Deutsche Bundesbank) and the European Central Bank (ECB) under code 842 422 972; J.P. Morgan SE—Paris Branch is also supervised by the French banking authorities the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and the Autorité des Marchés Financiers (AMF). In **Switzerland**, this material is distributed by **J.P. Morgan (Suisse) SA**, with registered address at rue du Rhône, 35, 1204, Geneva, Switzerland, which is authorized and supervised by the Swiss Financial Market Supervisory Authority (FINMA) as a bank and a securities dealer in Switzerland.

This communication is an advertisement for the purposes of the Markets in Financial Instruments Directive (MIFID II) and the Swiss Financial Services Act (FINSa). Investors should not subscribe for or purchase any financial instruments referred to in this advertisement except on the basis of information contained in any applicable legal documentation, which is or shall be made available in the relevant jurisdictions (as required).

In **Hong Kong**, this material is distributed by **JPMCB, Hong Kong branch**. JPMCB, Hong Kong branch is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission of Hong Kong. In Hong Kong, we will cease to use your personal data for our marketing purposes without charge if you so request. In **Singapore**, this material is distributed by **JPMCB, Singapore branch**. JPMCB, Singapore branch is regulated by the Monetary Authority of Singapore. Dealing and advisory services and discretionary investment management services are provided to you by JPMCB, Hong Kong/Singapore branch (as notified to you). Banking and custody services are provided to you by JPMCB Singapore Branch. The contents of this document have not been reviewed by any regulatory authority in Hong Kong, Singapore or any

other jurisdictions. You are advised to exercise caution in relation to this document. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice. For materials which constitute product advertisement under the Securities and Futures Act and the Financial Advisers Act, this advertisement has not been reviewed by the Monetary Authority of Singapore. JPMorgan Chase Bank, N.A. is a national banking association chartered under the laws of the United States, and as a body corporate, its shareholder's liability is limited. With respect to countries in **Latin America**, the distribution of this material may be restricted in certain jurisdictions. We may offer and/or sell to you securities or other financial instruments which may not be registered under, and are not the subject of a public offering under, the securities or other financial regulatory laws of your home country. Such securities or instruments are offered and/or sold to you on a private basis only. Any communication by us to you regarding such securities or instruments, including without limitation the delivery of a prospectus, term sheet or other offering document, is not intended by us as an offer to sell or a solicitation of an offer to buy any securities or instruments in any jurisdiction in which such an offer or a solicitation is unlawful. Furthermore, such securities or instruments may be subject to certain regulatory and/or contractual restrictions on subsequent transfer by you, and you are solely responsible for ascertaining and complying with such restrictions. To the extent this content makes reference to a fund, the Fund may not be publicly offered in any Latin American country, without previous registration of such fund's securities in compliance with the laws of the corresponding jurisdiction. Public offering of any security, including the shares of the Fund, without previous registration at Brazilian Securities and Exchange Commission—CVM is completely prohibited. Some products or services contained in the materials might not be currently provided by the Brazilian and Mexican platforms.

JPMorgan Chase Bank, N.A. (JPMCBNA) (ABN 43 074 112 011/AFS Licence No: 238367) is regulated by the Australian Securities and Investment Commission and the Australian Prudential Regulation Authority. Material provided by JPMCBNA in Australia is to "wholesale clients" only. For the purposes of this paragraph the term "wholesale client" has the meaning given in section 761G of the Corporations Act 2001 (Cth). Please inform us if you are not a Wholesale Client now or if you cease to be a Wholesale Client at any time in the future.

JPMS is a registered foreign company (overseas) (ARBN 109293610) incorporated in Delaware, U.S.A. Under Australian financial services licensing requirements, carrying on a financial services business in Australia requires a financial service provider, such as J.P. Morgan Securities LLC (JPMS), to hold an Australian Financial Services Licence (AFSL), unless an exemption applies. **JPMS is exempt from the requirement to hold an AFSL under the Corporations Act 2001 (Cth) (Act) in respect of financial services it provides to you, and is regulated by the SEC, FINRA and CFTC under U.S. laws, which differ from Australian laws.** Material provided by JPMS in Australia is to "wholesale clients" only. The information provided in this material is not intended to be, and must not be, distributed or passed on, directly or indirectly, to any other class of persons in Australia. For the purposes of this paragraph the term "wholesale client" has the meaning given in section 761G of the Act. Please inform us immediately if you are not a Wholesale Client now or if you cease to be a Wholesale Client at any time in the future.

This material has not been prepared specifically for Australian investors. It:

- May contain references to dollar amounts which are not Australian dollars;
- May contain financial information which is not prepared in accordance with Australian law or practices;
- May not address risks associated with investment in foreign currency denominated investments; and
- Does not address Australian tax issues.

References to "J.P. Morgan" are to JPM, its subsidiaries and affiliates worldwide. "J.P. Morgan Private Bank" is the brand name for the private banking business conducted by JPM. This material is intended for your personal use and should not be circulated to or used by any other person, or duplicated for non-personal use, without our permission. If you have any questions or no longer wish to receive these communications, please contact your J.P. Morgan team.