

Bowie Bonds: A Look at David Bowie's Innovative Estate Plan



At the time of his tragic and unexpected (to the public, anyway) death, the iconic David Bowie had it all: family, fame, and fortune.

Not so long ago, however, the artist found himself increasingly under pressure as financial obligations began to overcome a somewhat unpredictable music career.

Eager to overcome his fiscal problems while retaining ultimate rights to his music, Bowie devised an ingenious plan that accomplished both goals, all while creating a lasting intellectual property dynasty that will benefit his surviving wife and children for years to come.

Known as "Bowie Bonds", his innovative plan has transformed the transactional side of the music industry and helped to protect vulnerable artists from irrevocably signing away the rights to their creations during periods of financial uncertainty.

The concept he pioneered has been embraced by elite artists and securities investors worldwide.

Intellectual Property Bonds

In 1997, amid growing concerns of physical and financial security, David Bowie met with a group of financial analysts to devise an investment vehicle that would both protect his artistic achievements and ensure regular income and protection from a somewhat volatile and unpredictable industry: show business.

After meeting with several inventive financial professionals, Bowie opted to create an asset-backed security resting on the value of his pre-1990 portfolio of artistic works, which consisted of 25 albums and 287 total songs.

Unlike traditional asset-backed securities (e.g., credit card receivables, automobile loans, or home-equity loans), Bowie Bonds were uniquely backed by irreplaceable, inimitable creative assets, including the lucrative "Let's Dance" album, released in 1983, and ever-popular albums like "Low" and "Changes."

In essence, the arrangement allowed Bowie to retain rights to reliable income, while allowing investors to make a pretty penny waiting for the bonds to mature.

So, How Does It Work?

In 1997, David Bowie leveraged the potential future earnings of his portfolio by selling the bonds for \$55 million to the Prudential Insurance Company of America.

In exchange for the \$55 million in cash, Bowie relinquished rights to royalty payments for any song in the portfolio for the next 10 years, a bet investors were willing to take.

At a return rate of 7.9 percent, the interest payments on the bonds were easily covered by the income from royalties, which were payable directly to Prudential and its investors.

Moreover, Bowie was able to purchase and retain an additional \$30 million worth of song rights from his former manager, thereby expanding his portfolio even further.

Like most investment vehicles, Bowie Bonds have had down periods. They took a turn for the worse in the early 2000s, due primarily to the influx of illegal MP3 sharing over the Internet, which temporarily devalued the portfolio's market worth.

Notwithstanding, the resulting downgrade in rating by Moody's, Bowie was able to ultimately cash in the bonds, without any instance of default, promptly at the 10-year mark.

At that point, Bowie had not only retained his entire song and album catalog, but also reacquired full rights to all royalty payments going forward.

Estate Planning Implications

Bowie's foresight not only netted him and his family a significant sum, it also protected him from the financial ruin that often befalls entertainers as their careers wax and wane.

In the end, Bowie was able to pass along the benefits of not only his progressive style of music and entertainment, but an investment vehicle that has since worked to protect other artists across genres ranging from soul to hip-hop and R&B.

A true innovator, David Bowie singlehandedly found a way to make even the comparatively dry realm of estate and financial planning remarkable and extraordinary. Quite a feat in and of itself.

With Bowie Bonds, he secured a sizable and dependable source of income for himself, while creating a revolutionary investment strategy available to other artists and creators.