

10 Tips For Downsizers With Too Much Stuff

By Ashlea Ebeling – May 19, 2011



The baby boomers, long known as master acquirers, are now learning a new skill: getting rid of excess stuff. Some are empty nesters moving to smaller digs. Others are helping their aging parents sort through their belongings before a move or are disposing of items in the wake of a parent's death.

Call it downsizing, deaccessioning (museum lingo), or decommissioning (the military term). Regardless of what you call it and why you're selling off personal treasures, your goal should be the same: to get as much as possible for your things, with as little emotional and physical strain as possible.

Here are ten tips to help you decide what to keep, sell, donate, or gift and when to call in professional help.

1. Accept that downsizing is tough.

Penny Catterall makes her living as a professional organizer out of Bethesda, Md. Now she is helping her own 77-year-old widowed mom, Bilha Bryant, sort through and clear out possessions built up over decades in her 5-bedroom Spanish colonial in Washington, D.C. to prepare for a move to a rental apartment in the pedestrian-friendly Friendship Heights neighborhood near Catterall.

In May, mother and daughter staged a one-day private sale at Bryant's house of items collected during her late dad's 33-year-career in the foreign service including embroidered textiles from India, Afghani tribal jewelry, African masks and Korean celadon vases. Total take from the sale, which Catterall promoted on her neighborhood's Yahoo Group: \$4,000.

Yet even as an organizing pro, Catterall found it tough. "I had the most massive migraine," she said the day after the sale. "It was very personal."

2. Find trusted experts.

Do-it-yourselfers who price stuff and hold a tag sale themselves without doing any due diligence are putting themselves at the risk of being hoodwinked. "Pickers will pick up things that could be of substantial value and the person who sold it had no idea," warns Joy Berus, an art lawyer in Orange, Calif.

Before the house sale, Catterall spent hours researching items online. Some things were easy. She sold a vintage Klepper folding kayak that was in the attic on Craigslist.

But with other things, she was stumped. So she asked specialized dealers her father had worked with in New York and Boston, and a local auction house, Quinn's Auction Galleries in Falls Church, Va., to help her assess which were tag sale goods (under \$500 in her case) and what items could bring in more in other venues. She shipped a pair of Chinese Imperial bowls her dad had squirreled away in the basement to the Boston dealer and netted enough to cover two months of her mom's rent.

3. Call in an appraiser.

If you don't have any idea of what you've got, consider paying an hourly fee to an appraiser of "household contents" or "decorative arts" who will visit your home. The appraiser should be disinterested, meaning he or she shouldn't be bidding for your items or working on commission.

A good one can tell you quickly if you've got a house full of reproduction furniture or genuine antiques worth shopping around to dealers, auction houses, other collectors and even museums. Grandma's jewelry? Bring the items to a gems and jewelry appraiser. "It's often the things that people might think are worth the most that aren't, and the things they have little regard for that have the greatest potential for value," says Fran Zeman, a personal property appraiser in Brooklyn, N.Y.

For \$150 (and up) an hour you might avoid a big mistake—or buy some family peace. (You'll pay more for a specialist; make sure you check credentials; you can look up members of the American Society of Appraisers and the International Society of Appraisers on their Web sites).

Paying an outside expert could also buy you family peace. Nancy Martin, a personal property appraiser in Arcadia, Calif. was called in by two sisters in their 30s who were feuding over what they thought was an French 18th century chest of drawers in their late mom's house. They had an old receipt showing their parents paid \$15,000 for it. Martin quickly pointed out that the piece they both wanted was a common Baker reproduction—well made, but a reproduction nonetheless. The real antique, a piece they both detested, was on another wall of their late mom's house. Martin's recommendation: sell the antique at auction, and buy another Baker reproduction so each sister could have a chest, with cash to boot.

4. Be wary of family lore.

Just because grandma believed something was valuable doesn't mean it is. "People can be misled by dealers at the initial sale: 'It's an 18th century piece,' and stories get exaggerated," says Martin. "You don't know how many things supposedly belonged to George Washington."

Richard Wright, founder of Wright, an auction house in Chicago that specializes in modern and contemporary design, says that one piece that families bring in over and over, thinking they have a treasure, is the molded plywood Eames dining chair. "We'll get this big windup, 'We have a chair that's in the collection at MOMA,' and we have to tell them the chair was mass produced and theirs is probably worth \$300," he says.

On the other hand, family members may have something that they use daily and don't recognize the value of. In Brooklyn, Zeman spotted a matt green arts and crafts Grueby pottery vase worth \$10,000 jammed under the kitchen cabinets with glass vases from flower delivery services.

5. Don't throw out items prematurely.

A lot of stuff that is saleable appears to be "trash to the uninitiated eye," says Rich Meliska, who with his wife Merrill Essex, owns Essex Antiques & Collectibles in Evanston, Ill. The couple, a former banker and marketer, do estate clean-outs, helping clients sort through everything using what Meliska calls a "three-pile approach": throw-away, donate or sell. They typically work on commission ranging from 20% to 50%.

The throw-away pile includes old newspapers, decayed firewood, moldy clothing, and cracked everyday china. The donation pile includes bed linens, Tupperware, stuffed animals—things you might get just a few bucks for at a tag sale, but that could be of good use to the right charity. In the next pile are items worth \$25 or more.

Then the couple determines the best way to sell each item, including sales to specialized dealers, consignment or regional auction houses, (Americana goes to Cowen's in Cincinnati, duck decoys go to Freeman's in Philadelphia), and listing on eBay.

What looks like trash but isn't? Meliska rescued a Buck Rogers sweater patch and a box of tin toys that a client had put in the trash pile. The patch alone just sold for \$900 (it had condition problems otherwise it might have sold for \$3,000 or more), and the toys sold for \$100-200 each.

6. Call in an auction house.

Auction houses will also send out specialists to review your household contents, and suggest items you might consign. There are regional auction houses like Quinn's that take general high-end household contents as well as items for special sales, and there are specialty auction houses like Wright that just take certain items.

While at an estate sale you have a limited audience and you set the price, at auction you can reach an international audience and the price can be bid up if you're lucky. At a recent Scandinavian Design sale at Wright, a pair of walnut and birch twin beds with slatted headboards by Danish designer Finn Juhl estimated to sell between \$4,000 to \$6,000, fetched \$20,000 instead.

The downside: about a third of the lots went unsold. Some auction houses will take lower-value items only with no reserve—meaning you must sell the item no matter how little is bid.

7. Donate and deduct.

Bags of old clothes and rickety furniture you can be left out for the Salvation Army or Goodwill to pick up. But if you have something special to donate you might want to seek out a local charity that can use the item. The social services office of your town or locality might keep a list of what local nonprofits need, including items as mundane as a working fax machine.

Aside from the satisfaction of giving, you get a charitable deduction on your tax return—assuming you itemize. Note: You must list anything you donate worth \$500 or more on Form 8283 attached to your 1040. If an item you donate is worth \$5,000 or more, you need a qualified appraisal. If the item is valued at \$20,000 or more, you need to attach the appraisal to your return. (Warning: You get a full fair market value tax deduction only if the charity uses the item in its mission.)

For example, Meliska, a qualified appraiser, did an appraisal for an elderly man who was moving to a smaller home and donating a grand piano, valued at \$15,000, to his local church to use during services. The donation saved him thousands of dollars in tax.

8. Pass down heirlooms before you die.

You can give away up to \$13,000 a year to as many individuals as you'd like without eating into your lifetime exemption from federal gift tax. The \$13,000 includes cash, stocks, or things: your jewelry, furniture, rare comic books, whatever.

“You can give away a lot of stuff, keep it in the family, and there are no tax costs,” says Carol Harrington, an estate lawyer with McDermott, Will & Emery in Chicago. Once you go over the \$13,000 per person, Harrington notes, things get more complicated. You must file a federal gift tax return.

Say you give your daughter a \$15,000 necklace. You have to list it on the gift tax return and show its value (a receipt if it's a recent purchase or a qualified appraisal will do). Plus, you'll be using up \$2,000 of your lifetime gift tax exemption—that is, the amount you can give away without owing gift tax. (As part of last December's tax deal between President Obama and Republicans, that exemption is a whopping \$5 million for 2011 and 2012. In 2013 the lifetime gift tax exemption is set to revert back to \$1 million).

Filing a gift tax return may be worth it, if you're passing on family treasures your children will use now and cherish. If, on the other hand, your daughter doesn't really want that diamond necklace, you're better off selling it and giving her \$13,000 one year and \$2,000 the next. If she simply wants to wear it occasionally, lend it to her and leave it to her in your will. If selling the necklace might entail a capital gain (see next pointer), that's another reason to hold it until you die.

9. Watch out for capital gains

Most personal items bought at retail depreciate enormously. The swank sectional sofa you bought for \$20,000 might go for \$2,000. A set of china you paid \$5,000 for might go for a few hundred dollars. And if you have jewelry listed on your insurance policy at replacement value, you could get as little as 30% at resale. The upside to depreciation: if you don't have a gain, you don't owe capital gains tax.

“When it comes to tangible personal property, that is everything that isn't real estate, most people don't know what the tax ramifications are,” says lawyer Joy Berus. “It's a black hole.” If you sell personal property at a gain, you owe capital gains tax of 28%. If you can't prove basis, the Internal Revenue Service assumes it's zero. If you don't report it, it's fraud.

If you hold onto something until you die, however, your beneficiaries get a step-up in basis—meaning its new basis is what it's worth when you die. So if you have an item that has appreciated, or that you can't show the basis of, you may want to hold it until your death. By contrast, if you give something to your daughter when you're alive, she takes your cost basis. That's fine if she's going to keep handing it down generations. But if she sells it, she owes the capital gains tax on any appreciation since you bought it.

10. Remember the estate tax return.

Under current law, on Schedule F of the Form 706 estate tax return, your executor has to list the value of your household goods (this includes jewelry, furs, silverware, books, statuary, vases, oriental rugs, and coin or stamp collections). Any item valued in excess of \$3,000 or any collection valued in excess of \$10,000 must be appraised and listed separately. That's another reason for getting rid of stuff before you die—provided, that is, it hasn't appreciated.

Think there won't be a need to file an estate tax return because your estate is less than the \$5 million federal estate tax exemption? If you're a surviving spouse counting on a provision known as “portability” where you can carry over part of your late spouse's unused estate tax exemption, you need to file a return. Plus, the values for personal items reported on the estate tax return are typically used by beneficiaries to establish their cost basis.