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NEWS ANALYSIS

By Stacy Perman

Michael Jackson's Financial Thriller

What can the superstar do to repair his balance sheet? Ax some luxuries, focus on asset protection, and cash in on his talent, experts say

What kind of financial advice can help a 46-year-old with questionable career prospects and huge debts on one gloved hand and significant assets on the other? It's time for Michael Jackson to think about it. With his legal problems behind him -- at least for now -- getting his monetary situation in order should sit high on his agenda.

The King of Pop's outflow reportedly exceeds his inflow by \$20 million to \$30 million a year. His estimated assets total an impressive \$500 million, including such jewels as the Beatles music-publishing catalog. Yet the superstar has saddled himself with some \$300 million to \$400 million in debt, having heavily borrowed against his riches.

STILL A CASH COW? Clearly, Jackson needs serious fiscal counseling if he hopes to maintain a lifestyle suitable for a member of pop royalty, albeit a semi-deposed one. The hallmarks of his lavishness include the 2,600-acre Neverland Ranch with its menagerie of pets and amusement park, an entourage that boasts a magician (among other functionaries), a security detail, a private jet, and a team of tailors who custom-make his elaborate wardrobe.

The big question: How much money can Jackson earn? Twenty-two years have passed since his megahit *Thriller*, which sold more than 40 million copies and established Jackson as a superstar of the first order. *Number Ones*, his greatest-hits album, which came out in 2003, sold only some 1 million copies. While he still has a loyal fan base (witness the crowds outside the courthouse and at Neverland), his reputation remains tarnished. And who's to say Jackson is even interested in making music or going on tour?

Well, here's some free advice for Jacko, courtesy of top financial planners contacted by BusinessWeek Online:

TAKING CONTROL. "For the first time, Jackson's going to have to get real," says David Bach, founder of the Web site *Finishrich.com* and the author of *Start Late, Finish Rich* and *Smart Women Finish Rich*. That's a tall order for any celebrity, especially someone who likens himself to Peter Pan. Nevertheless, step No. 1 for Jackson is to tally up how much he spends.

"This is the same thing I would tell someone making \$50,000 or \$50 million," says Bach. "Everyone has to know where the money is going. The challenge is that Michael Jackson is an enterprise. Does he even know how many people are on his payroll?"

Next, Jackson has to cut his fixed overhead -- "immediately," insists Bach. "I read that his lifestyle costs up to \$25 million a year. Now he's obviously not going to get on United Airlines ([UAL](#)) and start flying coach, but he has to see what he's spending." He says that Jackson has a large "latte factor," a phrase Bach coined to describe spending for things people really don't need.

Finally, Bach recommends that Jackson heavily involve himself in his finances. "If I were Michael Jackson today, I'd want to be signing my own checks."

OVERSEAS POTENTIAL. The way David Yeske, a San Francisco-based certified financial planner and former president of the Financial Planners Assn., sees it, Jackson has a few choices. "If he wants to bridge that \$20 million deficit he's running, he either has to reduce his expenses by \$20 million, raise his income by \$20 million, or come up with some combination of the two."

Perhaps a Vegas act, like what Elvis did? To make some quick money, Yeske suggests that Jackson instead schedule a world tour, which could generate bottom-line income in the \$20 million range for him. Jackson still enjoys great popularity in Europe and Asia.

Yeske also urges Jackson to get a copy of *Quicken* ([INTU](#)). "I tell all of my clients who want to reduce their budgets to get it," he says, "Knowledge is power. You see the money in and out, and it can help you modify what you are spending that is not central to your happiness or well-being."

GERMANE PRECAUTIONS. It's all about making choices and trade-offs, Yeske points out. In Jackson's case, that might mean grounding his jet or getting rid of the Neverland menagerie. "He has a more complex array of consumption, but he has no choice but to make a choice," says Yeske.

And finally, Yeske highly recommends deploying some asset-protection tactics. Jackson reportedly paid out an estimated \$22 million in recent years to settle earlier out-of-court claims of child molestation, and who knows about his future vulnerability. Although the jury found him not guilty in his recent court battle, almost as quickly as the judge's gavel hit the desk, talk turned to a potential civil case against Jackson.

Yeske says Jackson could employ a number of strategies to make it more difficult for creditors to identify assets. They include moving to Florida, putting his money in some type of annuity, moving it overseas, or holding his income in a series of different entities. "Asset protection should be one of his top priorities," Yeske emphasizes.

TAP THE MUSE. Richard Upton, a tax attorney and estate planner at Patterson, Belknap, Webb & Tyler in New York City, says the beleaguered Jackson should "take a deep breath" first. After that, "I'd tell him to write another hit song. He is a genius, or he was a genius," says Upton. "I'd tell him to go back to the source, his creative talent. He's got capacity few of us have to create in a way that's commercially viable."

While most experts urge Jackson to cut down on his overhead and spending, Upton has a different opinion. "I've heard all of the standard things," he says. "We could tell him to cut down on his spending, but I'm not sure he is capable of [that]. But he is capable of reaching in and creating some music." Should Jackson's tainted reputation render his recordings unmarketable, he could always write songs for others and retain the lucrative publishing rights.

The Jackson saga holds no shortage of lessons, including that a multimillionaire can't afford to live like a billionaire. Reforming may not be as easy as A-B-C. But a more down-to-earth career and lifestyle could still be in his future.

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