

# The Baratelli Field Note

*Practitioner analysis for principals, family-office executives, and their advisors*

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*Treasure assets. Living the life you earned. When the right one belongs on a personal balance sheet - and the four structural moves the practitioner should already have made.*

## Buy the Classic Corvette.

*"Life is short. Buy the classic Corvette." - the founder, who owns four.*

There is a moment in a wealth practitioner's career where a client - a founder, a CFO who just rode a sale through escrow, a family-office principal in their second decade of stewarding the assets - looks across the desk and says: "My advisor says the boat is a bad investment."

The advisor is wrong, and not just on the math. They are wrong about what the question is.

The question is not whether the 1967 Corvette, the 32-foot Hinckley, the 1989 Patek Philippe, or the case of 1982 Bordeaux returns more than the S&P over a thirty-year holding period. Of course it does not. The S&P does not require a heated garage.

The question is whether the asset - owned cleanly, insured properly, basis tracked, estate-planned around - is the thing that reminds the family why they did all of this in the first place. And whether the practitioner around them knows the structural moves that turn a hobby into a strategy.

This Field Note is for that practitioner. The CFO's wealth advisor. The family-office principal. The estate attorney. The CPA who says "oh, that's personal, I don't need to track it" and is wrong.

### 1. The line where hobby becomes strategy

A treasure asset crosses from hobby to strategy at the moment any of the following becomes true:

- The basis exceeds roughly 5% of the family's investable net worth, OR
- The annual carrying cost (insurance + storage + maintenance + depreciation reserves) exceeds the family's annual charitable giving, OR
- The asset is mentioned by name in the will, the trust, or a side letter, OR
- Two generations of the family already have an emotional claim to it.

Any one of those four triggers and the asset has stopped being a personal expense and started being a planning instrument. Treat it as such. The family that learns the difference twenty years too late ends up with a forced auction inside the estate, capital gains paid by the wrong taxpayer, and three siblings who don't talk for a decade. The family that learns it on time ends up with a 1967 Corvette in the next generation's garage and a clean Form 706 Schedule G.

## 2. The four moves the practitioner should already have made

**Move 1 - Basis tracking from day one (yes, even on the personal-use asset).** The asset has a basis the moment it enters the family. Purchase price, plus shipping, plus the restoration invoice, plus the period-correct interior, plus the sales tax. Track it in a single tab in the family's consolidated workbook - not in a shoebox in the garage - and the day the asset is sold or gifted, the gain or the gift is calculable in five minutes instead of five months.

On the personal-use side, no depreciation. On the limited-business-use side (the car that's also used in client entertainment, the boat that hosts an annual customer event), allocation matters and the documentation has to be contemporaneous, not reconstructed. Most CPAs handle this badly because the client never told them. Tell them.

**Move 2 - Agreed-value insurance, not actual cash value.** A standard auto policy on a 1967 Corvette pays the family the depreciated cash value of a 59-year-old car - which is not what the asset is worth. A collector-car policy from a Hagerty / Chubb / Grundy archetype underwrites at agreed value, which the family and the carrier negotiate annually based on auction comps. Same logic for the marine policy on the Hinckley, the inland-marine fine-art rider on the watch case, and the cellar-coverage rider on the Bordeaux. The premium delta over a standard policy is usually under \$2,000 per year. The claim delta in a total loss is six to seven figures.

**Move 3 - Storage and provenance documentation.** Provenance is what determines whether the asset trades at the comp or at a 30% discount to the comp. The clean restoration

documents, the original window sticker, the chain-of-custody papers from the prior two owners, the dated photographs of the engine bay before and after - these documents do not exist if no one creates them. Build the file the year the asset enters the family. Update it whenever it moves, gets serviced, or appears at a show. Twenty years later when the family is selling or gifting, the file is the asset.

**Move 4 - The estate-planning decision: lifetime gift, bequest, or sale.** Three paths. Each one rational under different facts.

- **Bequest at death** - stepped-up basis erases the appreciation, no income tax on the gain, but the asset has to clear probate (or be in a revocable trust) and the heir has to want it. Default move for the asset that is appreciating slowly and emotionally treasured.
- **Lifetime gift to the next generation** - carryover basis (the heir takes the family's original basis), but the appreciation moves out of the gross estate immediately and the donor gets to watch the kid drive the car. Use the annual exclusion; for the bigger pieces, apply against lifetime exemption (now permanent at \$15M / \$30M post-OBBBA).
- **Sale during life** - capital gains paid at the family's rate, proceeds redeployed. The right move when the family's emotional connection has faded, the next generation does not want it, or the asset has appreciated to where it now distorts the family's overall portfolio.

The wrong move is not picking. The asset that drifts into the estate without a decision attached to it is the one that ends up at a forced auction, sold for 60% of comp, with a tax bill the family did not budget for.

### 3. The piece advisors miss: this is also a relationship.

There is a posture in modern wealth management that treats every personal-use asset as friction. The boat that costs \$40K a year to keep at the slip is a drag on the portfolio. The watch collection in the safe is illiquid. The Corvette is a depreciating piece of metal that cost \$180K to restore.

The posture is wrong because it ignores why the family is doing any of this. Money is a tool, not a god. Being the richest person in the graveyard is not the goal. The goal is to live a life that the family can look back on - and the next generation can step into - with the same energy and the same delight that built the wealth in the first place.

*The Corvette is not a portfolio asset. It is a story the grandchildren will tell at a funeral. The Hinckley is the place a difficult conversation between an aging founder and an adult son happens once a year on the water. The watch case is what the*

*granddaughter borrows from for her wedding.*

The advisor who treats those things as carrying-cost line items will lose the client to the advisor who knows how to underwrite them properly, structure them cleanly, and - critically - tell the family they are doing the right thing.

#### 4. The move this week

Pick the one client whose treasure-asset stack you have never actually inventoried. Schedule a 45-minute call. Ask them to walk you through what they own - cars, boats, watches, art, wine, vintage anything. Ask what each is insured at. Ask whether basis is tracked anywhere. Ask which pieces the family wants to keep in the family. Then build a one-page schedule and send it back inside a week.

That schedule is the start of the planning. It is also why the family will keep you for the next twenty years.

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#### From the catalog

**Treasure Assets** - the dedicated reference. Cars, boats, watches, art, wine, collectibles. Acquisition, basis, insurance, storage, sale, gift, bequest.

**Family Office Reference Guide** - how a single- or multi-family office actually operates: governance, IPS, charter, household staff, next-gen stewardship.

**Wealth Psychology** - the conversations underneath every treasure-asset decision: what to keep, what to let go of, how to talk to adult children about it.

**Estate Planning Decoded** - the decision tree on stepped-up basis vs. lifetime gift vs. sale, written for the practitioner who has to translate the attorney's memo into action with a client.

All at [baratelliinstitute.com](http://baratelliinstitute.com).

**If this Field Note was useful:** the *Treasure Assets* guide expands every move above with worked examples and the agreed-value-insurance language to send to the carrier. Available at [baratelliinstitute.com](http://baratelliinstitute.com).

Until next time -

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