

Smart Business



EASY COME,

EASY GO

Holding Onto New Money in Hollywood

BY JASON GREENWOOD

THE 19-YEAR-OLD ACTOR WANTED TO LEND A FAMILY MEMBER \$50,000. Not a good idea, said his Los Angeles business manager Scott Feinstein. To do that would cost you \$150,000 in earnings. How could that be, the actor asked? Remember, Feinstein said, it costs you 30 percent off the top for your lawyer, manager, and business manager. Then 40 percent for taxes. Then there's the cost of your publicist, and...

The client got the idea, and decided not to make the loan—another success for a Hollywood business manager dealing with a financially unsophisticated young client.

"I'm the little devil on their shoulders saying, 'Don't do it,'" Feinstein notes.

New Money, New Problems

ENTERTAINMENT BUSINESS MANAGERS HAVE THEIR HANDS FULL THESE DAYS, Feinstein says, dealing with a rush of suddenly wealthy youngsters needed to supply the TV programming demands of youth-oriented networks like WB and Nickelodeon.

Not all young people are financially clueless. Feinstein gives high marks for solid money sense to his clients Hilary Duff; Robert Richard, a star of the TV series *One on One*; and actress Evan Rachel Wood, who starred in the movie *Thirteen*. Their families listen to Feinstein and help keep their kids on the right track.

But he and other business managers do see attitudes in many young people in the entertainment industry that are problematic for

(continues pg. 34)

inside SMART BUSINESS

38

What Are Corporate Headhunters Looking For?

42 The Rule of Threes: How high-tech really works.



If It's Good Enough for Them...

You can conserve what you have by using some of the same advice business managers give celebrities

1. Look Down the Road.

A sudden windfall—an unexpected bonus, or landing a job at a much higher salary—doesn't mean you can count on that level of income year in and year out. Save and spend accordingly.

2. Do You Really Need That \$35,000 Watch?

Beware of impulse buying, whether the amount is \$35,000 or \$30. Unless the item is clearly something you need, go home and think about the purchase.

3. Look for the Hidden Costs.

When is a \$50,000 income not a \$50,000 income? Remember, your real income is what you are paid minus all your associated expenses: taxes, health benefits, vehicle maintenance, and so on. Spend based on what you really put in your wallet, not based on your gross pay.

4. Don't Try to Keep Up With the Joneses.

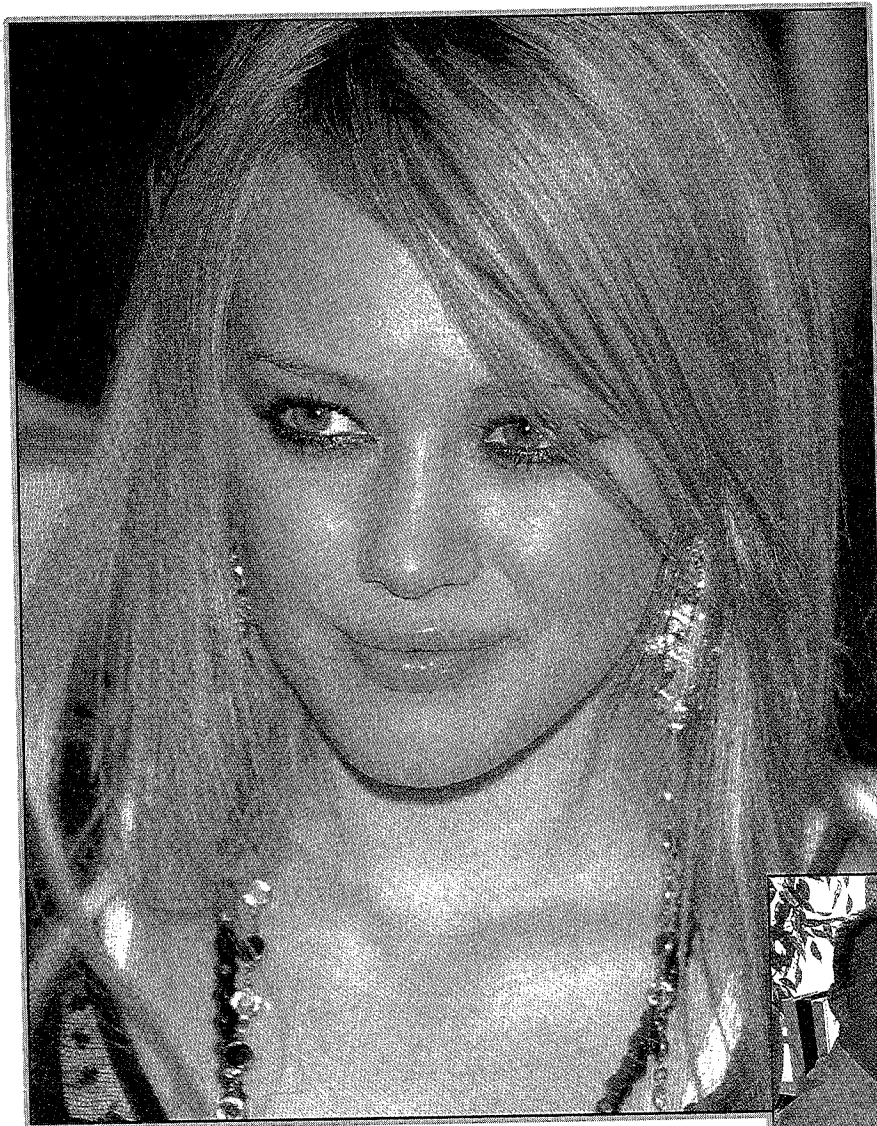
Just because your neighbor got a new car doesn't mean you have to get one to keep your image intact. Worry about feeding and educating your kids and having something to live on when you retire, not about showing off.

5. Don't Spend Because You're Bored.

There are many interesting ways to spend your free time cheaply. Explore them.

6. Don't Feel Guilty If You've Got a Little More.

Help out your friends and family if you can afford it and they need it, but don't feel you have to lend or give them money just because you make more than they do. ☺



TOP: Hilary Duff. The success of programs that appeal to youth means instant stardom for young actors like Duff who may not have much experience handling sudden wealth.

RIGHT: Los Angeles business manager Scott Feinstein says young stars often have excessive optimism that the money will keep flowing.

(continued from pg. 33) their financial well-being. One is excessive optimism that the money they are making will keep flowing.

"They just don't know the words, 'rainy day,'" says Marvin Ellin, a New York City accountant. "They just don't know things can go wrong."

Ellin, who does not handle entertainment clients but deals with newly rich people in other circumstances, is the prototype for the hard-headed accountant Marvin on the HBO series *Entourage* about an up-and-coming young actor from Brooklyn being financially bled white by his pothead pals. Ellin's son,

Doug, co-produces the series.

The elder Ellin, whose father, a manufacturer of women's coats, went bankrupt in the 1930s, says many young people who make a quick pile of money now just don't have the psychological brakes of those who had a tough go of it early in their lives.

"Most often they come out of more affluent circumstances," says the accountant. "Subconsciously they don't think they have to worry [about spending money]."

Too Much Time, Too Much Money

ANOTHER PROBLEM FOR YOUNG ENTERTAINERS, Feinstein says, is boredom, since even an actor in a series may have as much as three or four months off a year. What to do? Spend.

"People who like to keep busy, who like challenges, who are aggressive by nature, who are highly creative—give them money and free time and it's a dangerous combination," Feinstein says. "That's why we're here, to try to keep control of it."

Business managers, who typically get 5 percent of an actor's annual income, (but sometimes make other fee arrangements), have the advantage of a cold, objective view of spending, says Ron Redfield, a Cranford, N.J., business manager who specializes in handling entertainers.

"We don't live through their stresses or their euphoria," Redfield says.

"So when they are making all the money we're as diligent as when they are not making the money. And we're not emotional on the ups and downs, either."

Still, it can be hard to control a client. Business managers get an actor's mail, pay electric and phone bills and other expenses, advise on investments, and hand out allowances calculated to keep spending within reason. But they can't

(continues pg. 36)



(continued from pg. 34)

rule everything. An actor may run up a \$50,000 credit card bill in a month. He or she may go off and buy a house. One of Feinstein's clients, a movie director in his early 20s, bought a Porsche costing in excess of \$160,000 and didn't tell Feinstein about it.

"I can't break their fingers," Feinstein says. "I can't keep them from spending on a credit card. I can't keep them from buying cars, buying houses, buying anything you can buy by signing for it."

If they ask, however, he can head them off. One client in his mid-20s recently called Feinstein and said he was

When Helping Hurts

ANDREW BLACKMAN, A NEW YORK BUSINESS manager who has had actors both young and old for clients through the years, says family members can create especially difficult situations for their wealthier relative.

"There are family leeches that have nothing to do in life except somehow get involved with the talented family member and be paid for it," Blackman says. "Beyond payment, they borrow money up the wazoo. You tell the client, 'You can't keep doing this.' They say, 'Well, this is my daughter, this is my brother, what's the money good for if I can't help them?'"

The only answer, Feinstein says, is the obvious one.

"I tell my clients they need to think about themselves before they help somebody else," he says.

Even so, he says, some parents do spend money and time and put their own careers on hold to help a young entertainer get started and keep going. In that case, Feinstein advises

the client to reimburse them for reasonable expenses. Sometimes, too, he'll suggest that the client create a corporation and pay the parents a salary, typically a few thousand dollars a month as employees of the company.

Feinstein says it's hard for young people—for anyone, for that matter—to keep their head about

money in a business that depends on so much flash. Sometimes he tries to puncture their desire to buy more toys by using irony.

"My favorite line," he says, "is 'Money doesn't buy you happiness, but it affords you a wider variety of misery.'" ☼



TOP: The HBO show *Entourage* illustrates the freewheeling lifestyles of the too-young and too-rich.

RIGHT: Marvin Elin, a New York accountant and the father of the show's co-producer, says it's hard for many young and successful people to keep their heads about money.

considering buying a \$35,000 watch. Feinstein asked him what time the watch showed. "Ten minutes after three," the young man said. "Same time as my watch," the business manager said. "And my watch cost me \$65. You don't need the watch."

Those interactions are reasonably unemotional, compared to the highly charged decisions involved when family or friends ask for money. Feinstein says that does happen, although he considers the *Entourage* depiction of a retinue of greedy friends to be an exaggeration.

