

THE OTHER 85 PERCENT

LAWFUL USES OF A MINOR'S ENTERTAINMENT INCOME

By Robert Pafundi, Entertainment Attorney

As a young actor or actress, or as a parent of an entertainment child, you likely know that the first 15% of a minor's earnings is deposited by the producer directly into a special savings account for the child's benefit. In California this special account is known as a Coogan Trust Account, named after the famous child star, Jackie Coogan, and in New York it is known as the Child Performer Trust Account.

These accounts are also commonly called "blocked trust accounts" because the money cannot be accessed or touched by anyone, for any reason, without first getting a court order, that is until the minor reaches 18 years of age. At that time, the "block" on the account ends and the young actor or actress has complete access to the funds that have accumulated over the years.

That also means that the remaining 85% is available for use, or sometimes, sadly, misuse by the child actor or actress, the family, or even those around them. It often comes as a surprise to even the best-intentioned parents and extended family, that under California law the income and earnings of a minor in the entertainment business remain the "sole legal property" of the child. It is therefore very important for young actors, their family, and those influencing their decisions to understand both the proper and improper use of *the other 85%*.

Fortunately, California law offers some guidance on the proper use of a minor's entertainment income. The law states that the child's earnings can only be used for expenses "reasonably and directly related" to the minor's professional services as an actor or performer.

California law also states that the relationship between the parent or guardian and the minor is a "fiduciary relationship" which means it is one of trust and honor. And the law likewise says that nothing can alter the traditional responsibilities of a parent or legal guardian to provide for the support of a minor.

In plain language all of this means that if a child actor or actress makes good money, or even a real lot of money, a parent is still very much legally obligated to be responsible and provide for the child without turning to the child's entertainment income to do so. It also means that the child's income must only be used for legally proper purposes.

Here are some examples of both the proper and improper use of the other 85%:

5 LAWFUL USES OF THE REMAINING 85%

- The child's federal and state income taxes.
- Talent agency and talent management fees paid to qualified people at standard industry rates.
- Attorney or accountant fees related to the minor's entertainment career.
- The child's union dues (e.g. SAG-AFTRA).
- Acting classes and professional photography.

5 IMPROPER USES OF THE REMAINING 85%

- Management fees that exceed industry standards (i.e. exceed a total of 15%) by unqualified parents.
- Accountant or legal fees not reasonably related to the child's entertainment career.
- The purchase or lease of a primary home or car for the parents or family.
- Personal travel expenses for the parents or other family members.
- Meals and entertainment expenses not directly related to advancing the minor's career.

A much more in-depth review of this topic will soon be available at:
www.SafeStardom.com

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