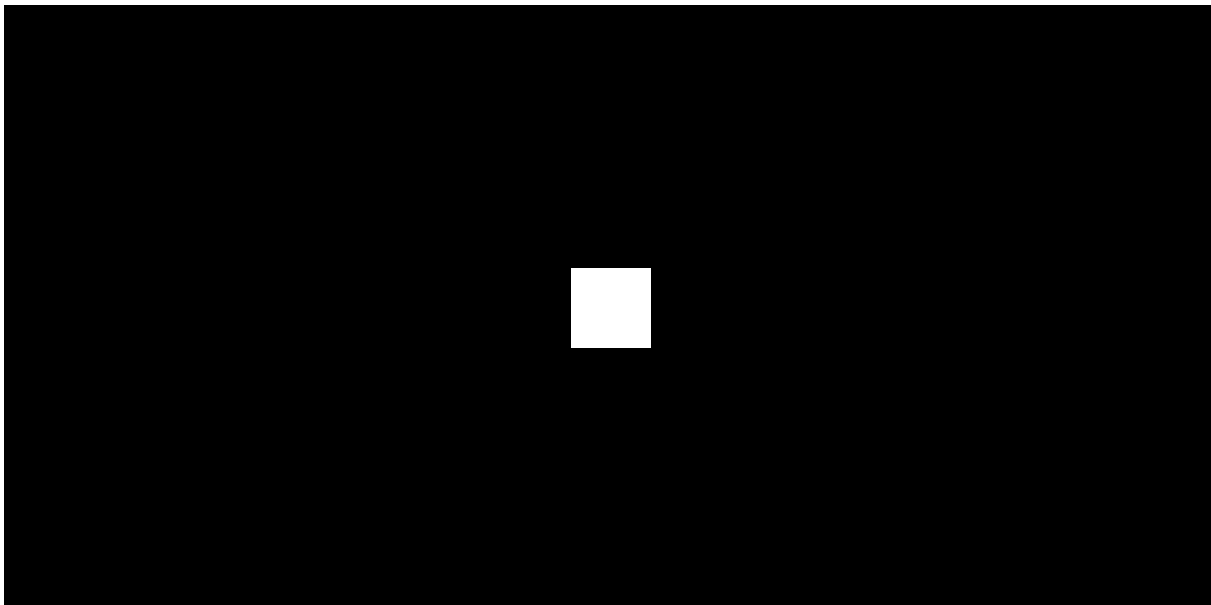


## Want to invest in music royalties? Here's what you need to know



### **Alexandra Canal and Stephanie Mikulich**

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What if we told you that you could build your retirement portfolio with Bruce Springsteen hits or a college fund boosted by Justin Bieber? Several big name musicians have been selling their music catalogues lately. It used to be that only the uber-wealthy could invest in those royalties, but new services are helping retail investors get their share too. Marcum Wealth Chief Investment Officer Michael McKeown and CAD Management Founder Clayton Durant join Yahoo Finance's Alexandra Canal and Madison Mills to discuss the pros and cons of investing in music rights.

McKeown stresses that investors should pay attention to cash flow, especially relative to other investments. Durant also says investors

investing in." Durant explains the difference between the performing arts or composition copyright and the sound recording or master [Sign in](#) copyright and why it's really important to know which copyright you're getting.

For more from this episode of [Next](#), check out these videos:

### [Investing in music royalties as a way to boost your portfolio](#)

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#### **Video Transcript**

- Welcome back to Yahoo Finance. Continuing our discussion on music royalties, are they a way to recession-proof your portfolio, or is it just a flashy investment that could end up leaving you with taxes to pay off with those Royalty yields? Joining us to discuss the pros and cons of music investing, we've got Michael Mckeown, the chief investment officer at Marcum Wealth. And we're also joined by Clayton Durant. He's the founder of CAD Management. That's a music management and entertainment consulting firm.

Guys, great to have both of you on. Thanks for coming in. Michael, I want to start with you. What would you say is the single biggest factor that an investor should consider when sussing out whether or not this is a good investment?

MICHAEL MCKEOWN: Yes, I think the number one thing to look at is cash flow because these are contractual obligations for a catalog or a song. But investors need to think about how much are they getting paid relative to other options in the marketplace, whether other bonds Treasury bills at 5.5%, and then also what are the tax consequences because an 8% potential yield really may be 4% or 5% after taxes when you're in a higher tax bracket and state.

- And Michael, we've been talking a lot about the Shrek soundtrack how you can invest in that. That's sort of what inspired this segment. If your client came to you with that, what do you think? Is that a good investment?

MICHAEL MCKEOWN: Well, you know, I think it comes down to is a client's financial plan include private credit as an asset class within a portfolio, right? Private credit is probably about 1% of the hundreds of trillions of dollars that you could invest in. Inside a private credit is royalties, and that's probably 1% of that. So I think it comes down to

sizing and really what the client's risk tolerance and overall objectives are.

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- And private credit alternative assets such a mega trend right now. But Clay, I want to bring you into the conversation. You know the music space so well here. What would you say is the biggest misconception about music royalties?

CLAYTON DURANT: Well, I think the first thing investors need to understand is what side of the royalties are they actually investing in. So, for every song that you stream on Spotify, there's two underlying copyrights. First is the performing arts copyright, which is essentially the composition, right, your lyrics, the melody, and all of that. That has its own ecosystem of royalties. The second copyright that exists is the sound recording. So that's your master that you actually listen to.

So, depending on what you're actually investing in, you have to consider those different types of royalties. Now, some of the big catalog sales that you've probably covered, the Hipgnosis Songs funds of the world, the Roundhill Capitals, and all of them, they're actually investing mostly in the publishing. So that's the composition side. And there's a reason for that because most of the time, most of the value is actually concentrated within the publishing area, particularly around the mechanical license and the fact that for every composition, there can be multiple Masters around that.

So there is a lot of expansion opportunity to own the actual publishing rather than owning the master. And most of the investment that you're seeing for your average retail investor is actually on the master side. So the yield is going to be a little bit different depending on what area you're actually getting to invest in.