

Rockefeller or Vanderbilt:

How an estate plan saved one family's wealth

When John D. Rockefeller Sr. died in 1937, his estate was valued at nearly \$27 million. John Sr. did not have an insured estate plan, and as a result, over \$17 million was lost to estate taxes and settlement costs. In the end, under \$10 million remained, and the estate's value had been eroded by a total of 64% according to the study: *"Classic Cases—the Estates of Famous Americans."*

John Rockefeller Jr. reportedly didn't want his heirs to suffer the same losses. He made a huge financial comeback, put an estate plan into effect, and when he died in 1960, his \$160 million estate lost only \$25 million to the tax man. Over \$135 million remained intact, and his estate had shrunk by only 16%. Junior's estate fared 48% better than his Dad's because he took measures to protect its value through an estate plan.

The majority of John Jr.'s estate went to the Rockefeller Brothers Fund Inc. The Fund remains in control of a \$668 million endowment, and supports a range of charitable causes. In 2009 alone, the Rockefeller Brothers Fund approved over \$27 million in grants.

Things did not turn out so well for the Vanderbilts, another iconic family who amassed great wealth. Cornelius "Commodore" Vanderbilt was the richest person on earth when he died in 1877.

But Lee Brower, author of *The Fall of the House of Vanderbilt* reported that within thirty years of Commodore's death, no member of his family was among the wealthiest in even the United States.

When Commodore's son Frederick Vanderbilt died in 1938, his \$76.8 million estate lost \$42.8 million in taxes and settlement costs: that's a decline of 56%.

"When 120 of Commodore's descendants gathered at Vanderbilt University in 1973 for the first family reunion, there was not a millionaire among them...the end result was a family unprepared for protecting and insuring the perpetuation of their wealth", reported Brower.

Today, the Vanderbilt mansion, built to showcase the family fortune, has fallen into disrepair. A donation box labeled "Save the Vanderbilt" sits outside, The New York Times reported in 2009.

What's the moral of this story?

Protecting family wealth from erosion through taxation is possible, but it requires decisive action to build an estate plan. The primary estate planning tool is a life insurance policy to provide tax-free cash to fund estate taxes on death.

Anderson Cooper, famous son of Gloria Vanderbilt, extols the virtues of life insurance on his CNN blog site. In April 2010 he posted a blog entitled *"If you're going to buy life insurance, make sure you've got enough."*

To learn more about estate planning using Westward's unique *LifeStep Process™*, ask your tax advisor to contact Rob Darnbrough at 604.687.1507 for a complimentary consultation.