Passing Down Your Value System

"Wealth is the slave of a wise man. The master of a fool."
Seneca (5 BC - 65 AD)

1985
• Betsy Magness dies.

November 1996
• Bob Magness, 72 years old, dies.

1997
• Sharon Magness, TCI founder Bob Magness' second wife, files a lawsuit claiming she's entitled to half of Bob's estate - roughly $500 million, rather than the nearly $55 million she was left in the form of cash, a trust fund, Western art and property. The case will be resolved in a confidential settlement that will have a marginal impact on the kids', Kim and Gary, inheritance.

October 1997
• Kim and Gary Magness sue Donne Fisher and Daniel Ritchie, executors of their father's estate, accusing them of acting against the estate's best interests by selling a huge controlling block of TCI stock to John Malone, TCI's CEO, and the company in an insider friendly sale to help pay an estimated $500 million estate-tax bill.

January 1998
• The defendants agree to settle the self-dealing sale, returning to the estate half the 32 million shares of TCI stock in the executors' original transaction.

1998
• TCI and its sibling company Liberty Media merge with AT&T. The $48 billion sale will ultimately boost Kim and Gary Magness' stock worth to $2.3 billion each, according to *Forbes* magazine

March 7, 2003
• Greenwood Village police find Kim Magness, apparently hallucinating, in a rented suite filled with drugs. He's arrested on suspicion of drug possession and transferred to a hospital.

March 29, 2003
• Police are summoned to the Marriott Denver Tech Center on a "probable DOA." They find Kim Magness dead on the bathroom floor.

Rocky Mountain News 9/20/2003

A case study on point would be the Magness family of Colorado. Bob Magness, an Oklahoma rancher who sold his land and cattle, borrowed $2,500 from his father and gambled on making a small community cable television system into a successful venture eventually grew his family business into a publicly traded powerhouse telecommunications giant. Bob and his wife, Betsy, dedicated themselves to their fledgling business to the point where Bob was climbing poles and installing cable while Betsy kept the books on her kitchen table. A Depression era work ethic and pride in their business kept both busy, and when Betsy died during a trip abroad while looking at some of her beloved Arabian horses, the family was poorly prepared for the eventual turmoil.

The two Magness sons, Kim and Gary, had the opportunity of a lifetime. And, now one of them is dead from a drug overdose. Due to inadequate planning, not only did the estate lose $500 million in estate taxes, but the kids had little preparation for inheriting so much wealth. Estate planning is more than eliminating taxes or dividing your assets and deciding who gets it, how it is transferred, when should it be passed, and what "stuff" goes where. Instead, a more enlightened approach would create a plan that addresses the why of family wealth. Consider, for example, how differently this case might have turned out if Bob Magness, who disliked taxes in every form, had provided for the creation of a family foundation prior to his death with some of his highly appreciated TCI stock.

To raise children of affluence successfully, it takes extra effort to keep everyone grounded and focused on what's important to avoid the stresses and confusion that accompany "sudden wealth syndrome". Heirs' guilt interferes with sound decision-making and undermines pleasure or satisfaction with life. Guilt about having money may lead to self-defeating and destructive behaviors that are sometimes ways of self-punishing heirs for unearned wealth. A big part of the transition process should concentrate on helping heirs regain control of their lives and recognize their self-worth so they're not attracted to dangerous situations. Having a way to share personal interests and experiences that have helped shaped the family and its traditions may also be a valuable tool to better steward family wealth.

In order to counsel their clients, today's advisors must understand family dynamics and motivations. Prosperous family members recognize the risks and must focus on ways to better stabilize and protect both their wealth and the individuals in their family. These risks include social peer pressures, a lack of competence, no family cohesiveness, too little commitment to something more important than self, and guilt about having unearned wealth.

Unfortunately, there is a lack of information about property and money, and few heirs have a place to learn about inherited wealth. A powerful solution is to work with family philanthropies. This intra-family mentoring activity allows younger family members to learn about managing assets, budgeting, networking, and business skills before they inherit any non-charitable bequests. Whether or not clients have purely charitable interests, most families have community or social issues that influence their outlook that can be developed. By establishing plans to support these activities, death will not interfere with the transfer of an important value system and there is an improved chance that family wealth won't disrupt family relationships or self-esteem.

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