The Titanic of Estate Planning:
Rupert Murdoch

It is a common misconception that estate planning is only for the wealthy. Every Baby Boomer needs to plan their estate. Afterall, since you spent fifty years working, it's worth more than a couple of hours thought, and a few hundred bucks, to organize your estate and go out in "Hero" style.

Every dollar lost unnecessarily to taxes or administrative costs, hurts the survivors more when the estate is small and the government takes 55% of it.

The Titanic of the estate planning world goes to a man named Rupert Murdoch, the world's 109th wealthiest man in 2008. But he is number one when it comes to his bewildering family dynamic and his failure to devise an acceptable plan for distributing his billions of dollars amongst his heirs.

Mr. Murdoch is the 77 year old media mogul with a "net" estate value of $8.3 billion according to *Forbes.* He owns such companies as the *Fox Network*, the *New York Post*, along with the recent addition of the *Wall Street Journal* and its parent company Dow Jones. This all comprises his multi-national company, which includes a mind boggling 188 other publications under the company name, the "News Corporation."

He has billions of dollars in assets throughout the world – particularly in Australia, (he is Australian born, but is a U.S. citizen) New Zealand, Britain and America. He is a former owner of the LA Dodgers baseball team, which never quite worked for him like the purchase of MySpace.com.

Mr. Murdoch's blended family includes four adult children, and two infant children. These six children are his daughter Prudence by his first marriage; Elizabeth, Lachlan and James by his second marriage which ended in 1999; and Grace 3, and Chloe 2, from his current marriage in 2005.

Mr. Murdoch has recently announced that all his children will be treated equally in the distribution of his estate, and he gave the sum of $600 million to his six children last year for estate planning purposes. It is difficult to know the motivation behind the advanced distribution of $600 million. Let's hope it made them happy.

Particularly, since rumor has it the heir apparent, his eldest son Lachlan, age 35, who quit the family business in 2005, may or may not be coming back on board. His reason for leaving was the sweeping changes his father made in his estate plan in 2006.

The 2006 plan allegedly makes the third wife, Wendi Deng, the most powerful player in the family trust because she will act as guardian for her two infant daughters until they can claim their inheritance at age 30. That's three votes for Wendi, and only one vote for each of the adult children.

This new property distribution plan also invalidates the previous deal Murdoch struck with his second wife, Anna, during their divorce proceedings in 1999. That deal granted Anna's children, along with Prudence from the first marriage, control of the trust in the event of Murdoch's death. The new deal substantially reduces the power of Mr. Murdoch's four adult children to…well, less than they want.

More recently, in March of 2008, Mr. Murdoch was apparently guilt ridden for having his 99 year-old mother buy shares in *News Corporation* so he could inherit them through the company. He recently determined the dividends of *News Corporation* under his control, are so paltry that he had short changed his mother $273 million dollars between the years 1984 to 1994. She apparently could have made $273 million more if she had invested in higher yielding stocks.

Therefore, he agreed to pay his mother back $85 million out of guilt, improper advice, or lack of care, but the problem is that it ignited a taxable event causing the 99 year-old mother to pay $70 million dollars in taxes. This issue was before the court in March in New York City, where the tax collectors were attempting to collect their due.

It would be nice to think that $8.3 "net" billion in trusts for all the beneficiaries to share could make them happy. But if the dynamics of this blended family spiral out of control and into the "exploding turkey scenario" (where the family goes crazy over the holiday season) there will be enough legal work here to keep a thousand attorneys fighting into the next millennium.

No opinion herein is a "marketed opinion" and no information provided herein can be used to avoid tax penalties for which the taxpayer would otherwise be responsible. Mark S. Cornwall has lived in Santa Barbara for over 30 years and practiced law in the same location for 25 years. His books can be purchased via his web site www.theheroesway.com, Amazon.com, or locally at Chaucer's and Border's. If you have any questions, please feel free to email him at mark@babyboomerpublishing.com.