

A Tale of Two Families

Two of the greatest family fortunes in history were created in the 19th century. One family thrives and prospers to this day. The other collapsed. Why? It's all a matter of preparation.



Cornelius Vanderbilt
1794-1877

Cornelius Vanderbilt created one of the greatest fortunes in world history, valued at his death (in 2007 dollars) at \$167 billion. He left 95% of his estate to one son, and divided the rest among his eight daughters and his wife, leaving a tiny portion to charity. Four of his children contested the will, and one ultimately killed himself over the escalating feud about the financial inheritance.

Economist John Kenneth Galbraith said that the Vanderbilts showed “*both the talent for acquiring money and the dispensing of it in unmatched volume,*” adding that, “*they dispensed their wealth for frequent and unparalleled self-gratification and very often did it with downright stupidity.*”



Confirmation of that view came only forty-eight years after Cornelius' death: one of his direct descendants died penniless. And, within seventy years of his passing, the last of the ten great Vanderbilt Fifth Avenue mansions in New York City was torn down.

So great was the destruction of the Vanderbilt family and its wealth that for decades through the mid 1900's the press referred to it as 'The Fall of the House of Vanderbilt.' The family became known more for its palatial estates, lavish parties and romantic scandals than for its business interests.

William K. Vanderbilt, grandson of Cornelius, said of his inheritance: “*It has left me with nothing to hope for, with nothing definite to seek or strive for. Inherited wealth is a real handicap to happiness. It is as certain death to ambition as cocaine is to morality.*”

Cornelius employed a legion of attorneys and accountants. In fact, his planning was based completely upon the ‘two-legged stool’ of estate and financial planning that dominate the planning arena to this day. He did not consciously prepare his children to receive their inheritances, create a pattern of communication amongst the family, or organize them for ongoing success. Simply stated, he did not prepare his heirs for their inheritance before dropping one of the world's great fortunes into their laps.

The result: when the Vanderbilt family held a reunion in 1973, there were no millionaires left among them.



Sir Nathan Mayer Rothschild, 1st Baron Rothschild
1840-1915

The rise to prominence of Europe's Rothschild family is far more than a tale of banking or politics. It is also an example of how any family can intentionally prepare and organize their children to be independent, successful individuals as well as members of a unified family, no matter their financial status.

By the time Sir Nathan Rothschild came to lead the family's enterprises at the turn of the 20th century, the name Rothschild was synonymous with banking and finance. So great was their power that on several occasions the House of Rothschild, as it came to be known, actually bailed Germany and England out of economic catastrophes that threatened their very existence.



The Rothschild philosophy on passing inheritances from one generation to the next is very different than Vanderbilt's. They actively mentor the children. For example, they establish ‘family banks’ to lend money to those children who wish to start businesses or pursue other careers, and they monitor and advise the ventures in which the children participate.

At the annual family gatherings (which have been held for over 200 years), the values which have sustained the family for generations are affirmed even as their vision for the future is sharpened and clarified. (And, if a family member fails to attend the annual family gathering, they are locked out of the family bank!) As part of that vision, the family supports a program of philanthropy in the arts, medicine, science and education.

Vanderbilt did Financial Planning, which grows and protects the money, and Estate Planning, which prepares the money for the heirs. The Rothschilds added a third ‘leg’ to that model: they use Heritage Planning, which *prepares* the heirs to receive their inheritance. Building upon that more stable platform has helped to keep them unified, strong and prosperous for generations, no matter what is happening in the world. By putting individual achievement and family unity ahead of the money, this three-legged planning model takes money out of the ‘requirements for success’ equation altogether.

The result: *any* family can complete heritage planning for their unique circumstances.

“It requires a great deal of boldness and a great deal of caution to make a great fortune; and when you have got it, it requires 10 times more wit to keep it.”

Nathan Rothschild