

# 3 Estate Planning Lessons from an Heiress's Costly Mistakes

written by Nicole Schlabach, Black Hills Area Community Foundation

Heiress Huguette Clark (1906-2011) inherited an unimaginable fortune from her billionaire father W.A. Clark, U.S. senator and founder of Las Vegas (1839-1925). But her enormous fortune didn't translate into an enormous legacy. She failed to secure a solid plan for her estate, and as a result, lost millions in taxes and millions more in the legal battle over her will.

Bill Dedman, co-author of the bestselling book, *Empty Mansions: The Mysterious Life of Huguette Clark and the Spending of a Great American Fortune*, shared the cautionary tale with us. He spoke during our annual meeting, Sept. 28, and advisor luncheon, Sept. 29, at the Journey Museum. "It's a case study in the bad things that can happen if you fail to make good plans," Dedman said.

Consider these three valuable lessons learned from Huguette's mistakes:

## 1.) Work With Trusted, Expert Advisors

Huguette never consulted with a financial advisor. An expert never shared detailed advice about how to maximize her gifts to others or make sure her legacy fulfills her wishes.

Her financial team, merely an accountant and attorney, urged her to create a will but failed to share other financial strategies. Notably, they didn't tell her to create her charity for the arts, Bellosguardo Foundation, while she was living — a failure that resulted in the selling of her beloved art collection, including works by Monet, Renoir, and many others.

Why was her art sold? Bellosguardo Foundation didn't yet exist to fight for itself in the legal battle over her will. Instead, the people sitting around the table decided to sell her art to pay legal fees. If Huguette had selected expert advisors, her art would likely be displayed inside the Foundation today.

## 2.) Invest in Tax Planning

Huguette's financial team warned her that she needed to pay taxes for the money she gave away, but they didn't share detailed advice — like the fact that a generation-skipping tax applied to many of her gifts.

However, it's not all their fault; Huguette didn't listen to the warnings she received. She may not have understood, or simply didn't care. When she passed away in 2011, she owed \$82 million in gift taxes and \$26 million in estate taxes. Unfortunately, many of her assets were sold to pay those taxes.

Don't end up like Huguette. Make the most of your generosity by consulting with an expert about the tax implications of your gifts.

## 3.) Plan for Legal Challenges to Your Will

When you disinherit your family, they might challenge your will. It's not an unexpected outcome, yet Huguette failed to plan for legal trouble when she excluded her relatives from her legacy. To make matters worse, her will signing ceremony was disorganized and undocumented.

"It's like going into battle unprepared," Dedman said. The court case cost \$30 million in legal fees. Perhaps worse, the settlement gave \$40 million to her relatives — a direct contradiction of her final will.

Even if you don't anticipate legal trouble, it's a good idea to make your will bulletproof. Your wishes should be well documented, and your will signing ceremony should unfold as an organized, professional affair.