How a Dynasty Trust Delayed a Legacy for 92 Years

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This is one of the strangest legal cases in the history of the United States. 92 years after the death of eccentric tycoon Wellington R. Burt, his heirs finally received their $100 million inheritance.

U.S. law authorizes the creation of dynasty trusts that are passed from generation to generation. However, some states do not allow for perpetual dynasty trusts. In our case, the trust was limited to 21 years after the death of the youngest grandchild to be alive on the day of Mr. Burth's death. In May 2011, 92 years after his death, the trust was terminated and distributed to 12 great-grandchildren, great-great-grandchildren and great-great-great-grandchildren 19 to 94 of age.

Wellington Burt, of humble origin, started his career at age 26 in the timber industry, as a lumberjack. His boss immediately recognized its dynamism and the following month, Burt became foreman, doubling his salary. The year after, in 1958, he began his own company. He eventually managed several wood plans; including one of the largest in the world. He also managed iron mines. Burt became the eighth richest man in the United States; he saved a Canadian bank from bankruptcy; he became mayor of Saginaw, Michigan and then state senator.

In his first will, Burt had included a large donation to the city of Saginaw, Michigan. However, furious that the City's decision to adjust his property taxes, Burt revised his will in 1917 eliminating the legacy public trust and creating a dynasty trust instead.

Upon his death in 1919, his fortune was estimated at between $40 and $90 million. Due to family strife, Burt only left a modest annual allowance of $1,000 to $5,000 to his children. He placed the rest of his fortune in a family trust providing an annuity to his descendants. This form of trust allowed him to pass his fortune from generation to generation without having to pay inheritance tax.

In 2011, 92 years after Burth's death, Christina Cameron Alexander, 19, who was about to enter a local community college in Lexington, Kentucky, became a millionaire thanks to a man she never met - her great-great-great-grandfather. She was the youngest of 12 heirs to the $100 million estate. She should have received more than $ 2.6 million.

Among Burt's descendants, six children, seven grandchildren, six great-grandchildren and 11 great-great-grandchildren did not survive the 92-year wait for inheritance. Those who share the estate include three great-grandchildren, seven great-grandchildren and two great-great-great-grandchildren, including Ms. Cameron and her 20 year-old sister.

The rule against perpetual trust is designed to limit the power of a testator to create trusts in perpetuity. The rule imposes a limit to the existence of the trust to 21 years after the death of the youngest person alive at the time of death. This is why some of Burt's heirs had to wait 21 years after the death of Mrs. Lansill (youngest person alive at Burth's death) before receiving the distribution of the trust.

Perpetual trusts have lost of their appeal when the U.S. Congress created the "generation skipping tax" to ensure that inheritance tax is paid upon each generational transfer.

Nonetheless, these dynasty trusts remain a popular vehicle for family planning because they provide considerable flexibility. These trusts allow families not only to preserve wealth over several generations, but also to provide freedom of choice on family governance and offspring education. Trusts encourage multi-generational continuity of business, the creation of new capital, and investment and charitable giving and a greater sense of family and social responsibilities.

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