

Sound Advice

Famous Estate Planning Failures

By Rod Tyler, CFP, R.F.P. CLU



As I am writing this installment of *Sound Advice*, the major league baseball season is entering the playoffs. I thought you might be interested in one of baseball's most famous players and how his estate was ultimately settled.

George Herman Ruth Jr. was best known as Babe Ruth. His nicknames were the Bambino and the Sultan of Swat. Babe Ruth played in the American League from 1914 through 1935. After the Boston Red Sox sold him in 1919 to the rival New York Yankees, he became one of the most famous baseball players of his time. His sale also led to the ultimate curse, the curse of the Bambino, and the rivalry between the Boston Red Sox and the New York Yankees. His prolific batting averages and home run totals established a standard of measure for which all other baseball players were measured. His 50 home-run record of 1927 remained unbroken until Roger Maris exceeded it in 1961. Ruth's 714 home-runs, remained unsurpassed until Hank Aaron did so in 1974.

Off the field, Babe Ruth was famous for his charity, as well as his reckless lifestyle. He grew up in a rough neighborhood of Baltimore, Maryland. When he was seven years old, he was sent to a reformatory and orphanage. It is easy to understand why he had a kind heart for the downtrodden and underprivileged. Towards the end of his life, he established the Babe Ruth Foundation. In 1947, Babe Ruth Day was held at Yankee Stadium to help raise money for the Foundation. Ultimately, however, the funding was inadequate. The foundation lacked the money to do any of the things Ruth had wanted. In addition, the instructions to the trustees were too vague to be of much guid-

ance. The foundation was instructed to assist anyone who needed help, leaving the trustees without clear direction or adequate funds. Ruth had good intentions but lacked planning and follow-up.

How could this have been avoided? There are two principal requirements to making a foundation or trust succeed.

The first is that the purpose and instructions to the trustees must be clear and unequivocal.

Those instructions must also be give the trustees a certain power of discretion to act in the best interest of the trust.

The second requirement, for a trust or foundation to succeed, is to ensure that it is properly funded.

If the fundraising by other people is the only source of resources, the trust is unlikely to succeed. An easy way to have funded Babe Ruth's trust would have been for him to have acquired some life insurance while he was younger and in good health. He certainly had the money during his playing days; therefore, funding would have been very easily accomplished.

If you're interested in how to set up a trust or foundation for yourself or family, I can help.



THE TYLER GROUP Financial Services

2330 McIntyre Street, Regina, SK S4P 2S2

Phone: (306) 525.5250

Toll Free: 1 (877) 225.5250

Fax: (306) 585.6117

Toll Free Fax: 1 (877) 255.0122

Email: info@thetylergroup.ca

www.thetylergroup.ca

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