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The Woolworth Misfortune: How Not to Provide for Heirs

By Elaine Floyd, CFP®

Forty-six years and seven husbands after inheriting her $40 million Woolworth fortune, Barbara Hutton died with a mere $3,000. Learning from her mistakes, you may better prepare your children and grandchildren for stable futures—both financially and emotionally.

At the age of 10, Barbara Hutton, granddaughter of F. W. Woolworth and niece of E. F. Hutton, inherited some $25 million. The money stayed in trust, managed by her stockbroker father, Frank (E. F. Hutton's brother), until Barbara was 21. By the time the money became hers at age 21, the fortune had ballooned to some $40 million, thanks in part to Frank's astute decision to sell out early enough in 1929 to miss the crash in October. After receiving the $40 million inheritance in 1933, Barbara gave her father $5 million as a thank-you gift for his management services. Then she embarked on the sad, lonely life of a socialite both envied and exploited for her money.

Keep in mind that although it may not sound like a lot, $40 million would be worth roughly $500 million today. And during the depths of the Great Depression, few Americans possessed such conspicuous wealth. Barbara Hutton's inheritance made headlines around the world. Suitors quickly lined up for the attentions of the “million-dollar baby”—even before she hit the magic age of 21.

When she was just nine, Barbara’s butler offered her some sage words of caution: “Someday, you may be the richest girl in the world, but all that means is that somebody will want to marry you for your money.” Ultimately, Barbara married seven times; the only husband who collected no alimony was actor Cary Grant. Each of her other husbands, after spending her money lavishly, managed to walk away with a substantial part of her fortune after the divorce. When she died in 1979, at the age of 66, her share of the Woolworth fortune had dwindled to a mere $3,000.

What could F. W. Woolworth have done differently to spare his granddaughter the misery of such relentless exploitation? And what could she herself have done to protect her assets from gold-digging husbands who charmed their way into her life, convincing her that they loved her and not simply her money? What lessons can we draw from her miserable life of spousal abuse, drug addiction, and outrageous spending (her “Cartier orgies” with her cousin were infamous; she once spent $98,000 in one day)? How can clients avoid the same mistakes F. W. Woolworth made when he set up his estate to allow his granddaughter to receive $40 million in cash and securities on the day she turned 21?

AN UNSIGNED WILL MADE BARBARA HUTTON RICH

Shortly before his death, F. W. Woolworth called in his attorney and wrote a will that would have distributed his estate among his wife, daughters, grandchildren, friends, and charities. By the terms of the new will, Barbara would have attained merely average wealth. But Woolworth failed to sign the will—either due to forgetfulness or a change of heart. When he died, the entire fortune passed to his wife, Jennie Woolworth, a hopeless incompetent who, permanently hospitalized, tied up the money for the duration of her life. When Jennie finally died, the money was split three ways: two-thirds to Frank and Jennie’s two surviving daughters, and one-third to Barbara, the only child of their third daughter, Edna, who had died by suicide when Barbara was four. Because Barbara was then a minor, her share of the inheritance went into trust. But once she turned 21, the court had no choice but to turn the entire fortune over to her.

THE RIGHT KIND OF TRUST WOULD HAVE SOLVED EVERYTHING

Had F. W. Woolworth designed the right kind of trust, Barbara Hutton might have led an entirely different life. The beauty of a trust is that the grantor can specify just about anything he wants. Woolworth could have provided for a certain percentage of the assets to be paid out at certain intervals—25% at age 25, 25% at age 30, and so on. Or he might have specified that a certain amount be paid out upon the happening of some event. A popular trust known as an “incentive trust” specifies that a certain amount be paid out once the child achieves a certain level of education or earns a certain amount of income on her own. The point is to keep wealthy heirs from losing their motivation to be productive members of society.

With a “spendthrift trust,” the assets remain in trust and continue to be managed by a trustee. This type of trust is often used for children who may never be responsible enough to handle all the money at once. The trustee pays for the beneficiary’s expenses and may distribute additional income at his discretion. With the bulk of the assets tied up in trust, they are protected from spendthrift heirs who have a propensity for “Cartier orgies” and charming con men who want to marry them for their money. The term “spendthrift” implies an irresponsible beneficiary, but these trusts are also used to protect assets from outside assaults, such as frivolous lawsuits.

WHAT ABOUT A PRENUP?

Barbara Hutton could always have executed a prenuptial agreement to protect her fortune in case of divorce. Given her weakness for charming men and her spontaneous decisions to marry, however, she didn’t exactly seem to be the prenup type.

It’s hard to know how much of Barbara Hutton’s tragic life was caused by her early inheritance. Some, of course, may well be attributable to her sad family life—her cold father and nonexistent mother. But her story still can be useful to help spare children and grandchildren the irreversible damage caused by too much money at too early an age.

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