



Fiduciary Insights

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THE ROCKEFELLERS, THE VANDERBILTS AND THE HIDDEN POWER OF LIFE COVER

Life insurance is often misunderstood, seen as a middle-class product to replace income after death. But for the wealthy, life cover isn't about death. It's about design.

At the top end of the wealth spectrum, life cover becomes a powerful estate planning instrument – unlocking liquidity, preserving legacies and creating leverage in complex estates. It's not just protection. It's precision.

Few stories illustrate this more clearly than those of two iconic American dynasties: the Rockefellers and the Vanderbilts.

Cornelius Vanderbilt built one of the largest fortunes of his era through shipping and railroads. Yet within three generations, most of it was gone. The Rockefellers, by contrast, used trusts, foundations and deliberate planning – and their wealth has endured for more than 150 years.

This contrast speaks to an old, uncomfortable truth: "shirtsleeves to shirtsleeves in three generations." One generation builds wealth. The next preserves it. The third often loses it.

Without intentional planning, even the grandest fortunes are vulnerable. And life cover is one of the most underappreciated defences against this fate.

WHEN WEALTH ISN'T CASH: THE HIDDEN RISK

Many wealthy families have most of their wealth tied up in non-cash assets. Property portfolios, private businesses, farms and private equity stakes often dominate their balance sheets.

An estate worth R300 million but with only R10 million in cash could face more than R100 million in estate duty, capital gains tax and executor's fees. These costs arise quickly, but SARS

and executors don't accept shares, properties or exotic cars as payment. Heirs may find themselves forced to sell assets at fire-sale prices to raise cash, potentially dismantling the family business or breaking up strategic property holdings.

Life cover provides immediate liquidity, allowing families to settle taxes and preserve key assets.

While many affluent families master the art of minimising taxes during their lifetimes, death triggers unavoidable tax obligations. Without a liquidity strategy, even carefully built fortunes can become unstable.



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FAIRNESS WITHOUT FRACTURE: THE ART OF LEGACY PLANNING

Modern family structures are complex. Blended families, second marriages, stepchildren and heirs living abroad all create challenges for wealth transfer.

One child may wish to run the family business. Another may prefer cash. Legal obligations to a spouse from a second marriage may compete with moral commitments to children from a previous relationship. Heirs may live across multiple jurisdictions, introducing cross-border tax, currency and regulatory considerations.

Philanthropic aspirations can further complicate matters, often creating tension among heirs.

Life cover provides flexibility, offering cash for heirs not involved in family assets, enabling charitable giving without reducing inheritances, and simplifying cross-border estate issues.

The Vanderbilts ignored these complexities. The Rockefellers embraced them, and their wealth has endured because of it.

Life cover, at its core, enables fairness without forcing the painful division of cherished family assets.

TURNING TRUSTS INTO POWERHOUSES: LIFE COVER AS THE QUIET ENGINE

Trusts are powerful estate planning tools, protecting assets, providing continuity and maintaining control across generations.

But even the best trusts need liquidity to function. Without cash, a trust may struggle to pay taxes, settle debts or support heirs. They risk becoming rich on paper but operationally stagnant.

Life cover solves this problem elegantly. Policies inside trusts can provide immediate capital, allowing trusts to remain agile and effective across generations. Many enduring family dynasties, including the Rockefellers, have used this approach.

Life cover also plays a critical role in private business continuity – funding buy-and-sell agreements or covering key person risks to keep businesses running smoothly after a founder's death.

DESIGNING WEALTH THAT LASTS

At its heart, life cover isn't about preparing for death. It's about shaping what endures.

The idea that wealth inevitably disappears after three generations isn't a law of nature. It's simply a consequence of poor design. Wealth disappears not because it must, but because too few families take the necessary steps to preserve it. But with the right tools and structures, wealth can do more than survive – it can sustain, grow and empower future generations.

When embedded in a well-crafted estate plan, life cover delivers what lasting legacies require: liquidity to settle taxes and preserve assets, legacy to ensure fairness in complex family structures, and leverage to power trusts and protect businesses across generations.

It's the difference between families like the Rockefellers, who planned intentionally, and those like the Vanderbilts, who didn't.

These outcomes aren't left to chance. They're the result of thoughtful design and the right partnerships.

WHERE LEGACY MEETS EXPERTISE

At Private Clients by Old Mutual Wealth, our fiduciary team works alongside clients, planners and portfolio managers to align life cover, trusts and estate plans into cohesive, forward-looking strategies. If you'd like to explore how these approaches could support your estate plan, our fiduciary specialists are here to help.

Because wealth that endures isn't simply earned. It is structured, protected and intentionally designed.

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