Preface

For 150 years, U.S. Trust has been one of the world's leading experts on the affluent and their money. I am proud to have worked at this organization—now the world's oldest trust company—for more than 30 years, and to have absorbed a great deal of the knowledge such a venerable institution can impart.

U.S. Trust was founded in 1853 by a group of financial pioneers who raised $1 million to create an innovative financial institution chartered as the United States Trust Company of New York. It was established to serve as manager, executor, and trustee of personal and corporate funds. At that time this was an original and innovative idea. Trust functions, if they existed at all, were performed by individuals, not by institutions. Among our founders were entrepreneurs and industrialists such as Peter Cooper, Erastus Corning, and Marshall Field. Our earliest clients were also entrepreneurs and industrialists—railroad barons, merchants, shipbuilders—and the large corporations that they created.

The firm's impressive history has meant that many of the most prominent and wealthy businessmen of their times served on our board and often became clients. The roster of these board members included three generations of Astors (John Jacob, Vincent, and William Waldorf), William Dodge, John Phelps, William Rockefeller, and John Hay Whitney and Payne Whitney. However, it took time for the idea behind U.S. Trust to catch on. In the mid- to late 1800s, most affluent Americans held their assets in local real estate or business ventures. Cash holdings were not abundant, and there was little opportunity to invest in stocks, because few business were publicly held. But U.S. Trust managed to flourish by offering personal banking, including commercial and personal loans, and by purchasing mortgages and other investments.

At the turn of the twentieth century, given the rise of large corporations, the transfer of wealth to a new generation, industrialization, and the establishment of the income tax, the economic climate U.S. Trust had envisioned 50 years earlier became a reality, and it was well situated to handle the country's changing economic needs. By 1928, U.S. Trust's seventy-fifth anniversary, our trusteed assets totaled over $1 billion, far exceeding those of any other trust institution.

Eventually, the company expanded from its New York roots to open offices in 12 states and the District of Columbia. We acquired other companies and added new services, and divested parts of the business to continue our focus on wealth management. Today, U.S. Trust holds managed investment assets of more than $75 billion, while its total assets under management top $90 billion. Including personal custody assets and clients' deposits, the firm's total client assets amount to almost $125 billion.

U.S. Trust has continuously prospered despite the various upturns and downturns in the nation's fortunes. In fact, the year I arrived at the company, 1970, was one of the most difficult this country has ever faced. In the spring of that year, Richard Nixon, recently sworn in as the nation's thirty-seventh president, was overseeing the turmoil caused by the Vietnam war. Virtually every American college campus was rocked by student protest, and the nation's urban areas were seething with discontent. On May 4, 1970, shortly after Nixon had ordered the invasion of Cambodia, the Ohio National Guard fired on protesters marching across the Kent State University campus, killing four students and wounding nine.

I had just graduated from Alfred University and was attending my second semester of an MBA program at New York University. Almost 500 colleges closed down or went on strike in sympathy, NYU among them. I spent several weeks as an organizer for a group called Business Students for Peace. We marched in protest up and down Wall Street, where the business school campus was located.

A few weeks later, as the climate of social unrest simmered down, I began marching up and down Wall Street once again, but this time I was looking for a job. Despite my moments as an activist, my primary goal was to establish a career in business that would lead to job satisfaction, financial security, and if I was lucky, maybe even affluence. Why not? I was young and ambitious, and the world was there to conquer.

One of my visits was to 45 Wall Street, then the home of U.S. Trust. It was a fortuitous stop. Still, at that time I didn't know from wealthy. Although I grew up in a comfortable, middle-class environment, I was in debt with college loans and felt as if I barely had the proverbial two nickels to rub together. Still, I liked the company and was delighted when I was offered a job as an assistant trust administrator. I started at The Trust Company, as it is known among its aficionados, on June 8, 1970, and began a career that lasted for almost 33 years; when I left the firm I had risen to chairman and chief executive officer.

My task throughout my career was to help people manage their wealth, as well as to take care of their families and their favorite charities. Along the way, I attended school at night, finishing my MBA degree and a law degree as well. But my best training was on the job, collaborating with experts in all aspects of wealth management, including my co-workers, such as Henry Heil, the senior vice president who trained me and who was devoted to U.S. Trust, its clients, and its culture of trust and respect. Henry taught me early on that if you do what is right for the client, good things will always follow.

I also learned from our clients, who represented a broad panoply of the affluent, as well as from our clients' advisors, who were some of the most talented lawyers and accountants in the nation. I worked with those who inherited their money and those who earned it, dealt with the superwealthy and those who were merely affluent, and learned something from every client experience.

My very first assignment at U.S. Trust opened my eyes to the world of the truly affluent. I served as assistant to the senior vice president assigned to settle the estate of Harold Sterling Vanderbilt, who died on July 4, 1970 (Let me say right here that this isn't a tell-all book; instead, virtually every story and example I share with you will be thoroughly disguised to protect the confidentiality of U.S. Trust clients. However, information about certain public figures is already in the public domain. Such is the case with Mr. Vanderbilt, the railroad financier and yachtsman.) Harold Vanderbilt was the great-grandson of Commodore Cornelius Vanderbilt, the financier who founded the New York Central Railroad in the mid-nineteenth century, and later Vanderbilt University. Harold was born on July 6, 1884, the youngest of the three children of William Kissam Vanderbilt who, when he died in 1920, left his heirs an estate appraised at $54 million.

Harold graduated from Harvard College and Harvard Law School, and joined the family business: the New York Central. He proceeded to use his wealth as a successful platform to excel in business, yachting, and philanthropy. He also is considered the father of contract bridge—he first established the idea of a scoring system based only on tricks that a player had bid (or contracted), as well as the idea of vulnerability and large bonuses for slam contracts bid and made. Harold was survived by his wife of 37 years (they had no children) with whom he'd clearly lived a life of affluence. At the time of his death, he owned residences in Rhode Island, Florida, New York, and

Virginia. (Most of the Vanderbilt wealth eventually went to Vanderbilt University in Nashville, where Harold had served as president of the board of trustees.)

I had a difficult time grasping the enormity of the Vanderbilt wealth. At the time I calculated that the income from the Vanderbilt municipal bond portfolio alone produced more income on a daily basis than I was likely to make in the entire year. The company flew me down to his home in Manalapan, Florida, south of Palm Beach. I had never seen anything like it before, except for historical homes and museums.

It's worth bearing in mind that Harold was the beneficiary of a family fortune built before the income or estate tax. It seemed unlikely to me that such fortunes could be built again. But I am happy to report that, during the rest of my career at U.S. Trust, I witnessed time and time again the ability of the capitalist system to produce fortunes, usually created by hard-working entrepreneurs, executives, and professionals.

What does it take to be affluent in today's world? U.S. Trust feels that being in the top 1 percent, or the top 1 million households, in terms of income and net worth, sufficiently distinguishes one from the population at large and would qualify as affluence. Specifically, this richest 1 percent consists of individuals and families having a net worth greater than $3.75 million, or adjusted gross income greater than $300,000.

This book shares with you some of the core advice that U.S. Trust gives to these well-off people. Moreover, you will learn what the affluent are like and how they manage their wealth, information culled from 10 years of U.S. Trust surveys that investigated their attitudes on a wide range of subjects, from how they became affluent to how they stay that way. You'll see what they invest in, what they worry about, and how they bring up their children. By the end of the book, you'll possess enough knowledge about wealth and the wealthy that even if you don't have $3.75 million (yet), you can handle your money as though you do.