

SmartInvestor

Everything you need to know about your money

www.afr.com | 13-14 September 2025

Edited by Joanna Mather: Email: jmather@afr.com.au

When Rupert Murdoch and his second wife, Anna dePeyster, divorced in 1999, she insisted he set up a family trust. She wanted to protect the financial interests of her three children – Elisabeth, Lachlan and James Murdoch (and their half-sibling from Rupert's first marriage, Prudence MacLeod) – against any children Murdoch had with his new wife Wendi Deng.

What dePeyster didn't foresee is that the sibling they would actually need protection from – Lachlan – was already inside the tent.

After brewing for 15 years, the saga came to a head this time last year when Rupert and Lachlan launched a failed legal bid to change the terms of the Murdoch Family Trust to increase their control. There had been a series of public disagreements over the direction of the family media businesses.

As the case settled out of court this week, Donal Griffin, director of Sydney-based Legacy Law, observed that “while it has been entertaining to follow in the media, it is also good to see adults settle their issues between themselves”.

Discretionary family trusts such as the one at issue here are frequently at the centre of plans by wealthy families to manage and transfer intergenerational transfer.

Griffin says while these are good structures for a couple, they are “much harder for adult children to share. The reasons for the difficulties include the often radically different financial positions and trajectories of the children at the time the parents die and the fact they have not shared an asset since a family pet, toy or game.”

This can be especially difficult if there are a number of siblings involved (and as in this case, half-siblings, or often, step-siblings too).

In the Murdochs' case, Rupert had retained the right to change the terms of the trust, providing any changes were in the best interests of its beneficiaries. He proposed to do so to increase the control he and Lachlan had over the trust, but his proposal was rejected by Prudence, Elisabeth and James, who took legal action.

The US probate court commissioner who heard the case sided with the three siblings, ruling that the plan was a “carefully crafted charade” to “permanently cement Lachlan Murdoch's executive roles” ... “regardless of the impacts such control would have over the companies or the beneficiaries” of the family trust.

“The effort was an attempt to stack the deck in Lachlan Murdoch's favour after Rupert Murdoch's passing so that his succession would be immutable.

“The court, after considering the facts of this case in the light of the law, sees the cards for what they are and concludes this raw deal will not, over the signature of this probate commissioner, prevail.”

Even though the trust in question was a US trust, it highlights that “trusts are flexible, but they're not as flexible as people think, and you might be in a position where you need a whole group of people to agree on a change”, says Christine Fleer, a partner in Arnold Bloch Leibler's private clients practice.

While few intergenerational wealth transfers involve as many zeros as the Murdochs, they are far from the only family grappling with the issue of how to pass on wealth, a business or both while maintaining family harmony.

So, what lessons can we take from the Murdochs on how to successfully transition from one generation to the next?

The resolution to this case will see the Murdoch Family Trust – which owned the family's substantial stake in News Corpora-



Seven lessons wealthy families can learn from the Murdochs

SUCCESSION

The fight for control of the family's trust and fortune illustrates how not to do intergenerational wealth transfer.

Michelle Bowes

tion and Fox Corporation – dissolved. For Rupert and his chosen successor, Lachlan, this was essential because the trust gave one vote to each sibling and four to Rupert.

As long as he remained alive and aligned with Lachlan, the two of them had control of the trust; but Rupert's votes would die with him so that after his death, Prudence, Elisabeth and James – who hold more moderate views than their father and brother – would have been in a position to collectively vote Lachlan out of control of the companies. Alternatively, the dissenting siblings could have waited until the trust expired in 2030 and sold their shares on the open market – a move likely to have seen the family lose control of its empire.

Neither alternative was palatable for 94-year-old Rupert, who was eager to secure his legacy.

Under the terms of the settlement a series of new trusts are created – one each for

The Murdoch siblings.
ILLUSTRATION:
BETHANY RAE

Prudence, Elisabeth and James, who will each receive \$US1.1 billion (\$1.67 billion) from a selldown of the company's shareholding, and one each for Lachlan, Grace and Chloe (Murdoch's daughters with Deng), which will own the Murdoch family's remaining Fox and News Corp shares in a holding company controlled by Lachlan.

In effect, it means Prudence, Elisabeth and James have been given a cash settlement valued at about 80 per cent of what their stakes in the business were worth – more than a higher buyout offer from Lachlan that was worth just 60 per cent of the value of their shareholdings.

In return, they have agreed to sell down any stakes in the company they hold personally and not buy in again in the future, giving them no future ownership of, or involvement in, the family businesses.

It brings a close to the fraught matter, but whether it heals the deep rifts in the family

that have formed over a number of years remains to be seen.

Trial records from the failed bid to change the trust reveal that dePeyster wrote to Rupert urging him to find a resolution. “Some toes will be trod on and egos hurt but it would be worse to leave things as they are,” she reportedly wrote.

Griffin, the author of *Be a Better Ancestor*, says whether the assets in question are worth many billions – as is the case with the Murdochs – or are more modest, such as the family home, a holiday house, or a small business – neglecting or delaying the issue of succession is more likely to raise hostilities and affect family dynamics.

“It can bring people to the end of their tether to the point where, in the face of their requests for information or action being ignored, they feel they have no option but to engage lawyers who may only know the path to court,” he says.

Jeff Steiner, partner and head of family office at multifamily office manager Mutual Trust, says many wealthy families ignore succession planning, but do so at their peril.

“If they have the right strategy and succession plan and communicate, be transparent and really be aligned around that from the outset, it can unlock some great success, and family members are better off for it,” he says.

Families grappling with the division of shared assets might want to heed the following seven lessons.

1 Plan ahead ... and keep talking | Jeff Garrett, the head of business and commercial law and legal practice director at Attwood Marshall, says succession conversations must occur well ahead of the time when assets or control will pass.

“The biggest missing piece in all of this is that the business runs, time goes on, the business grows, it increases in value and complexity, but there's never a discussion around succession,” he says.

Even if “interfamily jealousies and sibling rivalry going way back to childhood can come into play, you have to have those discussions”.

However, families shouldn't necessarily consider succession talks as a one-and-done scenario, and Mutual Trust's Steiner refers to them as a “living document”.

Continued p32