Estate of Henrietta Putnam, Deceased, 15 T.C. 175 (1950)

A trust created by a decedent is not considered to be made in contemplation of death if the decedent's dominant motives for creating the trust were associated with life rather than death, such as providing for a loved one's present welfare and enhancing their marriage prospects.

Summary

The Tax Court addressed whether a trust created by the decedent was made in contemplation of death, thus requiring its inclusion in her gross estate for tax purposes. The court considered the decedent's motivations for establishing the trust, including her concern for her granddaughter's welfare in the event of war and a desire to make her more eligible for marriage. Ultimately, the court held that the trust was motivated by life-associated factors, not death, and therefore was not includible in the decedent's estate.

Facts

The decedent, Henrietta Putnam, a wealthy woman known for her pursuit of pleasure and maintaining a youthful appearance, created a trust for her granddaughter, Susan, in December 1941. The primary reasons for creating the trust were: (1) the decedent's fear that her son's assets in England would be jeopardized by the war, and (2) a desire to improve Susan's marriage prospects by providing her with independent means. The trust allowed for the accumulation of income until Susan reached 21, but also allowed for the use of income and principal in case of emergency. Putnam died later.

Procedural History

The Commissioner of Internal Revenue determined that the trust was created in contemplation of death and should be included in the decedent's gross estate. The Estate petitioned the Tax Court for a redetermination of the deficiency. The Tax Court reviewed the stipulated facts, exhibits, and testimony to determine the decedent's motives in creating the trust.

Issue(s)

Whether the trust created by the decedent on December 8, 1941, was made in contemplation of death, thus requiring its inclusion in her gross estate under Section 811(c) of the Internal Revenue Code.

Holding

No, because the decedent's dominant motives for creating the trust were associated with life—specifically, ensuring her granddaughter's financial security during wartime and improving her marriage prospects—rather than with the anticipation of

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her own death.

Court’s Reasoning

The court applied the test established in *United States v. Wells, 283 U.S. 102 (1931)*, which asks whether the actions of the decedent prompting the disposition of property were associated with life or with the thought of death. The court found no factual basis to support the argument that the trust was part of a comprehensive estate plan linked to her earlier will. Instead, the court emphasized that the decedent’s primary motivations were rooted in concerns for her granddaughter’s present welfare and future marriage prospects, which are life-associated motives. The court noted, “The chief motive for creating the trust was the decedent’s fear that the Germans would defeat the Russians and then invade England, in which country her son and granddaughter were then living. She wanted to assure to Susan adequate care and protection if her son’s assets should be destroyed, conscripted, or seized by the enemy.” The court also emphasized the decedent’s general attitude, noting she “lived in the present, with apparently the sole thought of gratifying her momentary fancies and of planning for further pleasures in the immediate future.” The court also highlighted the decedent’s good health prior to death, her refusal to transfer a larger sum into the trust, and the confidential nature of the witnesses, further supporting the conclusion that the trust was not made in contemplation of death.

Practical Implications

This case illustrates the importance of thoroughly examining a decedent’s motivations when determining whether a transfer was made in contemplation of death. The case reinforces the principle that transfers motivated by life-associated purposes, such as providing for a beneficiary’s current needs or promoting their well-being, are less likely to be considered made in contemplation of death, even if death occurs relatively soon after the transfer. Attorneys should gather detailed evidence regarding the decedent’s state of mind, health, and relationships to demonstrate the life-associated motives behind the transfer. Subsequent cases will look to the dominant motive of the transferor; therefore, it is important to thoroughly document reasons for the transfer that are wholly independent of testamentary disposition.

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