



WEALTH MANAGEMENT[®], INC.

For the Instantly Wealthy

www.RetireRelax.com



FOR THE INSTANTLY WEALTHY

Receiving a large sum of money, all at once, sounds like a dream come true. But for some, and I'm sure you've heard the stories, it can create a nightmare. According to CNBC, lottery winners are more likely to go bankrupt within 3-5 years than the average American. Studies found that instead of getting people out of financial trouble, winning the lottery got people into more trouble, since bankruptcy rates soared for lottery winners three to five years after winning. With numbers such as the ones above it almost sounds more like a nightmare, doesn't it? Because time and again we hear about the downfall of a short-lived financial empire for people who hit it big.

The theory used to be that receiving a large chunk of cash "ruined people" and drove them to make bad decisions. But research shows otherwise. Don McNay is a financial advisor and national expert on the habits of lottery winners. He says, "The problem is wealth. Once people have it, their bad patterns only get worse." So, receiving a windfall doesn't necessarily change a person, it just amplifies their money habits.

The next problem is that once other people find out that this money exists, the Instantly Wealthy will receive a lot of advice. They will be told over and over to pay their house off, to do this, or to do that. If they come to see us, and they are considering paying off their home, the first question we ask is whether they plan to live there for a long time. It could be that this windfall opens other doors, such as the ability to move closer to family. If that is a possibility, we typically advise against paying the house off. Paying off other debt, however, usually makes a lot of sense. This is where a person needs a trusted advisor they can talk to, one who will help them make the right decisions. This person might be a *Certified Financial Planner™*

Professional, an attorney, a Certified Public Accountant, or all three as a team.

An additional problem these people will face are salespeople. They will come from every direction, and this can be overwhelming. The first response we would suggest is, "My financial advisor and I have agreed that I will wait a year before making any decisions with this money." This puts the Instantly Wealthy back in the control seat. And, if the product is something that looks interesting, they can take the materials to one of their trusted advisors to review. The bottom line is that getting professional advice can help protect their financial windfall for the future.

We've seen many people struggle with this situation. Here are a few case examples that should provide some guidance to you.

The widow or widower:

We see a lot of widows who have received large payments from life insurance policies after their spouse's death. They may have inherited a retirement account, annuity, individual investment account, and property and want to know how they all work. In many cases, the surviving spouse didn't handle the day-to-day finances, so they're a little uncomfortable having this much money and are not sure about what to do with it. They have usually heard the advice to not make any big decisions in the first year, but that advice doesn't seem to help.

In almost every case, the instantly wealthy ask us if it's ok to give some of this money to their children. In almost every case, we advise against it. We say this because we see so many people who are paying bills that belong to their adult children. These children work, and are in their 40's and 50's, but have become used to asking their parents to solve their financial problems. The longer the parents bail them out, and the more money that is given, the worse the problem seems to become. Giving children money, regardless of age, creates an expectation that more will be given, which can lead to dependency.

We don't mean to sound cruel here. We have all helped our children from time to time, but they know that we want them to work through their problems on their own. Money should only be given after a plan is made for the widow or widower's financial future, and it is clear that they can afford to give some money away. Part of this plan will include tracking spending for a month to

determine if their cash flow will be adequate to cover bills. Also, a long-range plan needs to be created to ensure they can handle unexpected expenses such as long-term care.

The recipient of a settlement:

The receipt of life insurance benefits is between the surviving spouse and the insurance company. Nobody else has to know this money exists, so it is easy to keep private. A settlement, on the other hand, usually involves an injury, and takes months to work through, so during this process, family members and friends may learn the details. Pressure from family members to "help them" is tough. But you have to remember, you are the person who needs this money to take care of you for the rest of your life. Especially if you are no longer able to work. Think of it this way: if you help out your family members and spend down your assets now, who will be there to help you pay your bills in the future?

The recipient of a lump-sum pension:

This one is interesting because the person knows, years in advance, that they will receive this money. A lump-sum pension can be a wonderful thing if invested so that it continues to grow as you age so you can take distributions. Many of our clients have these, and we manage the accounts for them, and provide advice on how much they can take out, etc.

However, we do see people who have the notion that they are not going to live very long, therefore they can spend down this money. For some reason, age 75 is very popular. They take the amount of their pension, and divide it by the number of years they believe they will live, and the resulting figure is how much money they think they can spend each year.

The fact that your parents died at age 75 has no bearing (usually) on how long you will live. We do our best to help people look at the big picture, and in many cases, ask them to delay making any decision right away. That is usually a good first step. If you would like to see a personalized estimate of how long you may live, visit the website <https://livingto100.com> and click on Take the Calculator. It is free.

The recipient of lottery winnings:

Two words, stay anonymous. Meet with a Certified Financial Planner™ Professional and work out a plan for what to do with this windfall before making any promises to anyone.

Final Tips for the Instantly Wealthy:

- Keep this information to yourself, if possible.
- Beware of old habits (shopping?) that can get out of control.
- Put off making any big decisions for at least six months to a year.
- Find a Certified Financial Planner™ Professional at www.cfp.net and ask for advice.
- Do not let anyone sell you a product.
- Do not feel pressured to give this money away.
- Visit <https://livingto100.com> for an estimate of your life expectancy.
- Lay out a financial plan that provides for your secure future.

We offer complementary consultations to help you through any financial decisions, including retirement planning.

Additional Special reports on Our Website:

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Joins us Saturdays each Saturday morning from 9-10a, on AM 940 WMAC where we produce “YOUR MONEY” where we discuss various topics that could affect “Your Money.”

We are available to speak to your group at no charge on a number of financial topics. If You need a guest speaker, call our office and let us know how we can be a resource for you.

In our culture, the only thing we avoid talking about more than death, is money. That is why Sherri Goss, CFP® created My Life Book, and it is free on our website. Print the pages, place them in a binder, and work through the process of documenting where things are, and how you want thing to go in the event even of your death or incapacity. Your family will greatly appreciate that you’ve planned ahead. So, please, check out My Life Book today

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