

## **You've got it – Now what?**

We tell tales at the coffee machine, go into detail about what we'll do with all the money when our lottery numbers hit the jackpot and dream of what we'll buy and how we'll live when we finally hit it big. For most of us it is a dream, but for many of us sudden money issues become a reality when we receive an inheritance, a lump sum distribution from a retirement plan, a settlement from a lawsuit or divorce or win the lottery. As much as we dream about what we might do – build a bigger house, buy the biggest Mercedes, take the family on a trip around the world, quit the job and never work again – the fact remains that often exercising some prudence and restraint are the best strategies in managing a windfall.

A large sum of money means new opportunities and the luxury of freedom – freedom to do what you want, when you want, but as many can tell you, sometimes the best action is no action – at least at first. A dangerous situation exists if you're not used to handling large sums of money and that danger is that you'll spend the money faster than you have time to adequately plan for what you really need to do with it – maximize it (or ensure its highest and best use). So perhaps, what should become your first plan of action is no immediate action and put the money in a safe, secure place such as FDIC-insured short-term CDs, Treasury Bills or a money market fund. Don't lock into long-term investments such as mutual funds, annuities or insurance products and be leery of investments that have large fees or sales charges associated with them.

Don't rush out and buy a car, book a vacation, start a business or quit your job. Stop and think about what you need to do. If thinking logically is not going the way you envision it, then enlist the assistance of a trusted advisor – a CPA (preferably not one that sells investment products as a side business), a fee-only financial planner or an attorney. You need someone with financial expertise to help you weigh your options of what to do with your newfound wealth and you'll find that once you have extra money, everyone's your friend. Friends are good, but professional advice is what you need.

When the windfall is due to the loss of a loved one and the funds have to help support the family, pay for college expenses for children or pay off the mortgage, the planning is even more important. The loss of a spouse is devastating and planning for the survivors' futures becomes the most important task at hand. You'll need to have some financial planning projections done and what I mean by that is – will the money have to provide an additional income for the family? Is there a mortgage that should be paid off? If investments are in order, what are they and how should they be made? If you need income from the money, how will it be invested and what return can you expect? Does money need to be put aside for the children's educational expenses?

In general, the one thing I can advise you to do right away is to pay off unsecured debt – credit cards and personal loans – to eliminate these payments. If you're presented with the opportunity to eliminate useless debt, go for it. Outside of that, don't make any rash decisions or spend any money. Sometimes it seems like a great idea to pay off the mortgage, but that may not be the answer.

In September of 2000, I had the pleasure of attending a workshop presented by Susan Bradley, CFP®, founder of the Sudden Money Institute and the author of “Sudden Money”. If you don’t know an advisor that you can trust to give you unbiased advice, the first step you should take is to order Susan’s book. You can get it from her website, [www.suddenmoney.net](http://www.suddenmoney.net), or from [www.amazon.com](http://www.amazon.com). You may even want to attend one of her Sudden Money camps.

Whatever you do, don’t go on a spending spree and be sure to put a plan in place to make your sudden money turn into wealth that lasts.

*©2004 Robin Vaccai Yess is a CERTIFIED FINANCIAL PLANNER™ and a Certified Divorce Financial Analyst. She is an independent, fee-only financial consultant who helps clients achieve lifelong financial independence, grow and preserve wealth and enjoy a fulfilling retirement. She is a frequent lecturer and writer on personal financial topics. Visit [www.robinyess.com](http://www.robinyess.com) for a list of upcoming seminars or to schedule a speaking engagement for your group or organization.*