

We Won the Lottery ... Now What?

WE WON THE LOTTERY! The \$434 million Powerball! You probably saw our picture ... it was all over the internet!

OK, we didn't actually win the lottery. We didn't even buy a ticket. But "sudden wealth" comes in many forms, not just lotteries. It could be an inheritance, proceeds from the sale of a business, a huge bonus or an award from a lawsuit as either the plaintiff or the attorney for the plaintiff.

Interestingly, the advice for lottery winners is similar to the advice on how to treat other types of sudden wealth.

So, let's assume I won the lottery...

WAIT

I will wait and keep my mouth shut. Many people have had things they wanted kept secret go viral. This is one of those secrets. I don't want my name trending on Ancestry.com with people hoping to find out they are related to me—something at least twice-removed (and probably for good reason). I certainly don't want to be a magnet for robo-callers.

Sometimes the hardest thing to do is nothing... but there are times when nothing is exactly the right thing to do.

ASSEMBLE A TEAM

While still keeping news of our windfall silent, I will put together a team of advisors. I need an accountant and an attorney. The accountant should be conversant with the rules for handling lottery winnings. My attorney should understand strategies for asset-protection and estate planning. I am a CERTIFIED FINANCIAL PLANNER™ practitioner and have experience with sudden wealth. But if I weren't, I'd start working on a plan with a financial planner or hire one if I didn't already have one.

INCOME OR LUMP SUM?

Now for the big question... should I take a lump sum or the stream of income? Of course, in the case of the lottery, the lump sum would be less than the total of the stream of income.

In situations, such a structured settlement, you have a choice of a lump sum or a stream of income.

It comes down to a matter of trust



and an understanding of the time-value of money. Do I trust myself with a large sum of money more than the politicians or entity managing the source accounts? The stories are endless of people who took their lottery winnings or settlements as a lump sum and blew through the money in less than five years. Either choice requires a high degree of personal financial discipline.

SPEND AND INVEST

As a financial advisor, I will set up a plan that prioritizes future income for the needs of my family. Annuities are good vehicles to insure and plan for future needs. I can create my own instant pension!

I will set up a number of annuity contracts from diversified insurance companies from which I can draw money, when needed, or turn on lifetime income, when desired. I might set up a charitable structure, like a foundation or managed charity account, to reduce my taxation and manage philanthropic efforts.

I will set up tax-deferred education savings accounts for each of my children, a special needs trust for my daughter, and prepare a legacy for my family through careful estate planning. I will pay off debts, set aside funds to pay taxes on the lump sum award, and patiently prepare for the blessings of changed financial circumstances.

Should I retire? I like what I do and who I serve. I would keep working and use the winnings to supplement our lifestyle.

If I anticipate having large cash holdings, I will need to watch my balances at individual banks. I don't want to keep more than the FDIC insurance limit at any one bank. Just as I diversified my income sources through multiple insurance companies, I would ensure my cash balances are not at risk in a bank or financial crisis.

I will also provide for the here and now. Although my budget has grown, I should remain within its boundaries. Then, once all my financial goals are set, I may splurge on a few toys like new cars, a big vacation, and a Rolex. I mean, hey, why not. I WON THE LOTTERY.



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