

ANY FINANCIAL WINDFALL REQUIRES CAREFUL PLANNING

by: Tim Sullivan, CFP®, EA

A lucky individual may have had a life-changing experience this weekend if they won the Mega Millions \$1 billion grand prize. While fun to dream about, the odds are so miniscule that it is probably more likely someone trips on a baseball glove in their garage and dies when they smack their head on the lawn mower (maybe that's just my garage). While winning the lottery is not in the cards for most people, what can be learned from those rare moments when a bundle of money — albeit substantially smaller — falls into one's lap?

First, keep the news close to your vest. Last year, Missouri passed House Bill 402, which made it possible for resident lottery winners to choose to remain anonymous. Considering the national news coverage of such a big payout, remaining out of the limelight is an advantage when trying to maintain some type of normalcy in life. Anyone receiving a substantial amount of money should try to maintain a similar level of anonymity. Whether it is from selling a business, inheriting a pile of money from Uncle Penny-pincher, or settling a large lawsuit, avoiding needlessly broadcasting this information will certainly be beneficial.

Second, take a deep breath and make decisions slowly and deliberately. In the case of the lottery, winners have 180 days from the draw date to claim the prize. In every other situation, there typically is no timeline at all. Buying or building a dream home, perhaps in an exotic location, or buying a luxury car may be a desire, but those do not need to be done quickly. In fact, any large purchases should be delayed by at least three to six months when cooler heads are likely to prevail.

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In addition, the long-term implications of any decision should be thought through carefully. Will a new Lamborghini look too ostentatious at your current address? Does moving to a new zip code get you a bigger house, but now you no longer see friends from the old neighborhood? Does moving to a tropical paradise ultimately take you away from family or a church community that is important to you?

Many people would quit jobs that they dislike if the lottery or another windfall came their way. Still, in the same way retirees need to think about how they are going to spend their time if not working, the newly wealthy should answer the same question. If not turning a wrench or driving a truck or going to the office every day, what will occupy their time? The old saying, "An idle mind is the devil's workshop," comes to mind. Perhaps volunteering at a local non-profit or working a part-time job they find enjoyable is an option. Regardless, slowing down and thinking through decisions is of utmost importance.

Lastly, work with a professional. In fact, work with several. An attorney with experience assisting people with newfound wealth would be invaluable. A trusted accountant would be equally important. And rest assured that as a financial planner, one of this adviser's first priorities would be to hire a trusted fee-only financial planner. Just as an attorney who represents himself in court has a fool for a client, some decisions are just too important to go it alone. The benefit of working with a financial professional who is unbiased, knowledgeable and capable of pointing out risks or pitfalls that were perhaps glossed over because of rose tinted glasses would be money well spent.

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While lottery fortune is unlikely to change the life of anyone reading this column, there are many other situations where unexpected fortune may occur. However, lightning rarely strikes twice. Whether it be \$1 billion or \$100,000, make decisions using the care and diligence they deserve. Oh, and if I happen to be the big winner, you'll know when you read my next column in the Lifestyle section under "Great travel adventures!"

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Tim Sullivan is the owner of Clarity Financial, LLC a fee-only advisory firm in Columbia, MO, a CFP practitioner and member of the National Association of Personal Financial Advisors and has earned the Enrolled Agent designation from the IRS.