

## Managing an inheritance involves a lot of considerations

LET'S SAY you have recently learned that someone close to you has passed away and left you an inheritance. You are not only faced with all of the emotions that accompany a person's death, but also some decisions that might have to be made.

Given that it is a stressful time, don't make hasty decisions. Of course, you will need to meet legal or tax obligations, but other than any absolutely necessary steps take your time making decisions.

Part of the reasoning behind this advice is that these types of decisions can be complicated and multifaceted. It may be in your best interest to hire professionals to help you make these decisions. In fact, you may need a team of professionals to support you. This could include an attorney, an accountant and a financial professional such as a certified financial planner.

The accountant's job on the team is to let you know the income tax consequences of any transactions and help you with tax reporting.

Distributions from 401(k)s and IRAs may have an impact on your tax situation. You will want to estimate this and determine if you want to make estimated tax payments or have some tax withheld. Another consideration is just how much your inheritance is. Does it increase your net worth significantly? If so, you may want to do some tax planning for your own estate as well.

The other consideration is how you will inherit your assets. Do you inherit them outright or through a trust? If through a trust, make certain you understand the trust provisions. With a trust, you might not have much control as to how the assets are received.

Inheriting assets can impact your own spending. You might be tempted to buy a fancy car, but it's best to hold off on any large purchases.

Evaluate your spending and how some additional funds might affect it. Consider your future needs. While any additional money is a blessing, it might not go all the way toward meeting your future income needs.

Once again, take your time and thoroughly evaluate your situation.

It really points to doing some planning, and this is where a certified financial planner can help.

Developing a financial plan will be an important step in determining the use of the funds. You will need to think about your goals and then decide how the new funds might help meet them. For example, you might have retirement in mind or funding a child's education. An inheritance is the money you could use to help meet these goals.

Another area of concern is insurance. If you have inherited assets, such as a house or jewelry, you need to ask your insurance agent how to insure these properly. You might also have more wealth to protect.

Your agent can help you decide on what the proper protection could be. Since you have more to lose in the event of a lawsuit, you might want to look into an umbrella liability policy, for example. Maybe the additional wealth means you need less life insurance. It is good to review your situation.

As we hinted at, all these changes can affect your own estate planning.

How do you want your estate distributed? Did your plan change when you received your inheritance?

You might want to consider your individual circumstances. Are your beneficiaries responsible enough to handle the money? Is your estate large enough to potentially have an estate tax? Have you name a guardian for your minor children?

An estate planning attorney can help you work through the documents you need to help ensure that your assets will be distributed as you wish at your death.

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