

https://www.unionleader.com/news/business/money_sense/marc-a-hebert-s-money-ense-if-you-ve-come/article_672ac35f-5938-5ca5-a224-0032a6a864ff.html

Marc A. Hebert's 'Money \$ense': If you've come into unexpected wealth, the first step is to review your finances

Dec 14, 2019

YOU SUDDENLY have money! Maybe the money is from an inheritance, maybe it is from a gift or maybe you were just plain lucky and won the lottery. Whatever the source, having newfound money can be both a joy and a worry. What to do with all this wealth?



The first step is to really step back. This is the time to review your finances. Depending on how much, you could be in a very different place financially than before. It is a good idea to review your net worth (total assets minus total liabilities) and cash flow (income minus expenses). What these items reveal and how much access you have to your new funds impact how much your finances might actually change. In essence, you need to decide how wealthy you have really become.

You might have received your assets through a trust. The provisions in the trust document will dictate how you receive those assets. Depending on the provisions, you might not have control over the funds. The trustee of the trust will decide this based on the trust document.

If your assets are obtained through a trust, it is important to get a copy of the document. Read and understand the document's terms. If the terms are hard to understand, find an estate-planning attorney or a certified financial planner to help you. Based on the trust's terms, you might be able to get a good idea of the income the trust will provide you. You should also review how the trust has invested its assets and whether the investment allocation makes sense. You should also review the amount of fees the trustee is charging.

A different set of issues comes with inheriting or receiving stock as a gift. It is a good idea to review your investment strategy to determine if the stock has a place in it. This will help you decide to keep the stock or sell it. Perhaps you have inherited a controlling interest in a company. Do you have the skills and want to be a part of the company? If you decide to sell your shares, make certain to know the cost basis. This will determine the gain or loss on the shares and your tax consequences.

Instead of stock, you might have inherited real estate. The decision here is similar – do you sell the property or keep it? Keeping it might mean renting it. Do you want to be a landlord? Keeping it could also mean that you want to live there. Is this going to be more or less expensive for you? You will need to consider the tax consequences of any choice.

Your inheritance might be cash. It is important to watch what you are spending. You might want to quit your job, give away money to the kids or buy a car, for example. If you do this, however, it might not be money well spent. Consider your future needs and how long your money has to last. Give it some time and come up with a well-thought-out plan for both your current needs and your future goals.

Some goals might include:

- Paying down debt
- Educating your children
- Retirement
- Purchasing a home
- Charitable giving
- Increasing current cash flow
- Helping your family
- Reducing your taxes

Newfound money can also impact your estate plans. You might want to review this area with an estate-planning attorney. If you inherited real estate, for example, you might want to review your situation with your insurance agent. Perhaps your new wealth eliminates the need for life insurance. You might also

want to purchase an umbrella liability policy to help protect you against future suits. Your accountant can help you with your new tax picture. Since all these factors can be complicated, it is good to review your goals and plans with a professional.

Marc A. Hebert, MS, CFP, is a senior member and president of the wealth management and financial planning firm The Harbor Group of Bedford. Email questions to Marc at mhebert@harborgroup.com. Your question and his response might appear in a future column.

<]