

Uh Oh! I'm Rich. What Do I Do Now?



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Did you ever dream of winning the lottery, or suddenly coming into a million dollars? What would you do first if you suddenly had a lot of money?

As unlikely as it may seem, sudden wealth can cause a severe financial and emotional crisis, and one that is not unusual. Women, especially, are subject to abrupt and dramatic financial upheavals stemming from family changes like a sudden death, a surprise financial windfall (the settlement of a lawsuit for example), a divorce or inheriting a business.

The baby-boomer generation is seeing vast amounts of wealth poised to be passed down to them from an affluent generation of elders, and as family holdings change hands, people can be thrown

into confusion and conflict. They could be better prepared for that day with even a little advance forethought.

For some, the onset of sudden wealth comes with emotional upheaval. This is common with the loss of a loved family member resulting in a substantial inheritance. When bad news comes mixing with money, it can create a toxic brew, spawning complications and mistakes that can last a lifetime.

When I see that “eyes frozen in the headlights” look coming into my office, I know the key need right now is to take time, draw in some deep breaths and follow five early steps to help successfully manage a financial and emotional crisis. Here are the steps I offer my clients.

1. Stop. Do nothing fast. You are in a high danger zone for serious errors. Many people will want to give you advice, some well-intended, some self-serving. Some of the financial advice you receive will be sincerely offered; some will be sincerely wrong. Choose a financial advisor in the same way you choose other critically important professionals, by qualifications and ability and by looking for a good match with your values and priorities.

Financial advisors come today in a variety of descriptions and levels of qualifications. Learn how to judge the qualifications of financial advisors (Click here for How to choose a financial advisor). It's a good idea to interview a few advisors. Ask them how they would approach working with you. Ask for references and check them. Listen to your intuition and find someone that you feel listens to you and understands your needs and goals.

2. Give yourself permission to succeed with money. If managing wealth is a task new to you, you might feel intimidated or even guilty for having money. I've had people tell me they think of inheritance or insurance money as “death money.” You can put emotional barriers in your way so that you can't make wise decisions. One woman I worked with refused to sell her home that she and her husband had shared before he died even though it was too large and too costly for her to live in “I can't sell it. All his things are in there,” she said.

3. Avoid financial pitfalls. You are in a high danger zone for serious mistakes. Don't hesitate to ask questions or to admit you don't understand everything. Financial documents can be intimidating. They can create an anxiety that's a lot like math anxiety. Few people without specialized training can understand all the documents you will see when investigating all of your investment options. Don't sign any papers you don't understand. Make sure the financial advisor you choose is willing to take time to answer your questions. And pay special attention to the

tax impacts of your decisions. A survey by Eaton Vance Corp reported in the Journal of Financial Planning in 2001 showed that investors generally lack knowledge on tax issues; this can be extremely costly.

4. Take inventory. Before you can set goals and make long term decisions, you need to gather your information. What do you own? What is it worth? What tax implications are there? How much debt? Count real estate, cash, bank accounts, stocks and bonds, retirement funds, insurance proceeds, automobiles, art, antiques, and collections. This can take months. I urge people to keep their property liquid during this time. Give yourself time to set your goals and make decisions.

5. Set your financial goals. What does wealth mean to you? In their 2002 article “The Financial Psychology of 4 Life Changing Events, published in the Journal of Financial Planning, William L. Anthes, PhD and Shelly A. Lee wrote “Money not only is a medium of exchange, it is also a substitute for love, a symbol of power, a benchmark of success, a tool for doing good deeds, a source of great anxiety, a scapegoat, a flashpoint in a marriage, and an emotional force of its own.”

A well-managed financial plan provides freedom from anxiety. It addresses fears. In the Redbook 2003 SmartMoney survey 32% of women described themselves as worriers about money; 18% of men did. Major fears both women and men cited were insufficient funds for retirement and the fear of job loss. Even people with significant wealth worry that they will lose it. They need to talk with their advisor about their need for security and their risk tolerance. A top money goal for both women and men cited in the survey was to eliminate debt. Even the ability to give money away is an important part of many financial plans. There are ways to make gifts that are wise as well as generous and that should be part of your planning. One client I worked with had her greatest pleasure from her ability to significantly help her church.

Sudden wealth can bring sudden stress for couples. However views about gender and financial power are changing and the Redbook study showed that couples today are more in agreement on shared power and responsibility. Family money management is no longer assumed to be the domain of men. In the Redbook survey of 1000 people, married or in committed relationships, a large majority of both men and women said both spouses had an equal say in financial decision-making. Whether the family wealth is actively managed by one spouse or two, the family will be stronger with a financial plan that reflects its needs and aspirations for the future.

Good advice and solid planning can take the anxiety out of managing wealth for you and let you enjoy the benefits.

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