



Wealth Planning Report

Sudden Wealth—What If You Strike It Rich?

If a few million dollars—or more—fell into your lap tomorrow, what would you do?

Sudden wealth isn't a common way to get rich—you cannot rely on it—but it can and does happen. Some big drivers of sudden wealth include:

- Receiving a substantial inheritance
- Getting a major settlement in a divorce or a lawsuit
- Receiving a big payout because of stock options or the sale of your company
- Even winning the lottery

But while sudden wealth may sound like a dream come true, it's often accompanied by serious challenges resulting from the “sudden” aspect of that money. With sudden wealth, everything about being rich—the good and the bad—happens all at once. In contrast, most people who build wealth slowly are able to address issues and concerns incrementally over time.

The result: Sudden wealth can be an emotionally charged and overwhelming experience. Sometimes there are emotional challenges because of the source of the money—a relative who died, for example. Feelings of panic or guilt can go hand in hand with the feelings of excitement. All those swirling emotions can cause recipients of sudden wealth to make bad—sometimes exceptionally bad—decisions about the money and about their lives.

Here's a look at how you—or someone you care about, such as your children—can prepare to deal with sudden wealth effectively to realize amazing opportunities while avoiding the many pitfalls of “striking it rich.”

Relationship challenges of sudden wealth

To be sure, getting rich quickly can solve many financial problems. At the same time, getting rich quickly can

create big problems in your relationships with other people—including the people in your life you care about most.

Some examples: Family and friends may knock on your door looking for funds from someone they now see as a financial “white knight.” A sibling might be looking for an investor in her new business, or a distant relative might ask for help paying medical bills. A friend might hit you up for a loan.

Your marriage can be impacted, too. Shared decisions about how to spend, save and invest the new wealth can create friction. Before you got rich, your money was used largely to pay the bills. Now, with a lot more money, the myriad possibilities can create a wedge between spouses.

Sudden wealth can also impact new relationships. Are new friends—and, especially, new potential romantic partners—interested in you, or your money?

Four ways sudden wealth can be ruined

People who experience sudden wealth can also fall into several traps that can quickly erode or eliminate those assets. These wealth destroyers can impact anyone, of course, but we see them hit the suddenly wealthy especially often.

- 1. Giving away too much money.** If you give too much of your wealth away, you can end up in your own precarious financial position faster than you might imagine. Even loaning money can prove problematic and occasionally disastrous.
- 2. Extravagant spending.** There is nothing wrong with treating yourself well and enjoying a good life. But if the money needs to last a long time, excessive spending can jeopardize your financial future. The key is to identify the necessities, the “nice to haves” and the “not that important” and balance them.

3. Poor investing and planning. If you receive a windfall, there may be a lot of so-called professionals seeking to help you manage your money and address your planning needs. There is a high probability that many of these professionals are going to be “Pretenders” who aim to do a good job but are simply not talented enough to help you or are conflicted in their interests.

4. Lawsuits. Your sudden wealth can make you a target for unscrupulous litigants. One way to address this possibility is by safeguarding your assets. By working with a wealth manager who is well-versed in asset protection planning, you can potentially insulate yourself from prospective deceitful and ruthless litigants—legally.

Take responsibility

If you or a loved one is fortunate enough to become suddenly wealthy, here’s a process we recommend that can help you or the other person get prepared and set up for a successful outcome.

- **Assess your situation.** You need a solid understanding of how much money there really is, and what you need and want to do with it. Often that requires slowing down and working through some of the

emotions that accompany sudden wealth in order to think rationally about the windfall and its impact. A wish list, a balance sheet and a cash flow statement can all play a part in evaluating where you are and what you are considering.

- **Make reasoned decisions.** To make a windfall work best for you, you need to make intelligent and informed decisions, such as avoiding impulse buying and suffering buyer’s regret. Moreover, it is crucial to always recognize that you are in charge and to take responsibility.
- **Rely on consummate professionals.** You want to work with true experts—recognized authorities who understand the difficulties you face due to becoming suddenly wealthy, and who are able to help you chart a financial course that matches your needs and wants. Consummate professionals can also act as a sounding board when it comes to most aspects of dealing with your newfound wealth. Their extensive experience, expertise and ability to see your situation rationally rather than emotionally can be useful in helping you think through different planning matters so you can confidently bridge the wealth gap with your future, gain peace of mind, and finish life strong.

This report is an executive summary of our e-book.
For a complete complimentary report, call or email.



Paul Byron Hill, MBA, MFP, MSFS, ChFC®, CFP® is an internationally recognized Certified Wealth Management Professional, Financial Educator and CEO, written about in *Fortune*, *Forbes*, and *Money*, among others. As co-Author of *Retire Abundantly*, Paul has been interviewed by James Malinchak, of ABC-TV’s hit series, *Secret Millionaire*, and been interviewed by Dimensional Fund Advisors for their “Value of an Advisor” series. Reuters recognized Paul as one of 500 “Top Advisers,” and featured him on their AdvicePoint website homepage.

Paul founded Professional Financial Strategies, Inc. in 1993 as one of the first independent financial and wealth planning advisory firms for affluent and aspiring families. Paul and his firm act as a personal chief financial officer for clients, bringing together a distinctive wealth management process and a network of experts that help families make smart decisions about money for investing wealth, mitigating excessive taxes, protecting assets from unjust loss, and making a real impact in passing a secure legacy to people they love and causes they care about that make a difference.

Paul earned pioneering designations as a Certified Financial Planner (CFP®), and ChFC® (Chartered Financial Consultant). A graduate with distinction from the University of Rochester, Paul earned an MBA in Finance from the Simon Business School. His professional education includes MFP (Master of Science in Financial Planning) and MSFS (Master of Science in Financial Services). Finally, *Who’s Who* presented Paul with the Albert Nelson Marquis Lifetime Achievement Award.

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