How to handle sudden wealth

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By: Deborah Nason, Special to CNBC.com

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You've received an inheritance. That's great. But it's not as simple as just cashing the check.

How to handle a sudden windfall is an issue many of us may one day face, as some 30 percent of U.S. households will probably inherit wealth, according to the **Bureau of Labor Statistics.**

And this percentage may increase in the future. Nearly two-thirds of people over age 60 expect to leave an inheritance to their kids, according to personal-finance website Interest.com. Moreover, the **Center for Retirement Research** at Boston College has found that two-thirds of baby boomer households are likely to inherit a median amount of $64,000.

When you inherit, the best thing to do in the beginning may be … nothing, say financial advisors.

"We coach clients to enter a 'decision-free zone,' [and] we stay aware of their emotional states and their ability to make decisions," said certified financial planner Stephen O. Wright, an associate at financial-planning services firm the **Enrichment Group** and a former pastor.

"There's a lot of analysis and planning," he added. "Combine that with the grieving process [and] a lot of counseling work that goes along with it."

The Enrichment Group helps clients "slow down," said Wright, by providing what he termed a "survivor checklist" (detailed below):

Now (*next 2 months*): Contact Social Security Administration and Dept. of Veteran Affairs; order death certificates; make funeral arrangements

Soon (*2 to 6 months ahead*): Open an individual checking account; contact life insurance company; close joint credit cards; pay bills

Later (*6 months to 1 year ahead*): If ready, start thinking about gifting money, moving, developing an investment plan, etc.

New heirs can get easily overwhelmed. One such woman, a 60-year-old scientist from southern California who wished to remain anonymous, had never managed a large sum of money before inheriting several million dollars from her father in 1999. "It took me six years to move the assets from my father's bank," she said. "My dad had died, and I didn't want to think about it."

Daunted at first by the cost of using a financial consultant, she eventually realized it was essential. "It would be a full-time job—and more, for me—not only to learn about investing but to do it," she added.

"Life events such as inheritances are big transitions that require change management."

Susan Bradley

Founder, Sudden Money Institute

Inheritors who are not used to managing large amounts of money can be victims of their own enthusiasm and emotions, said Robin Young, certified financial planner and owner of **Northstar Financial Planning**.

Young cited the case of one client, a divorced woman of modest means with grown children, who learned she would be inheriting a substantial amount of money. "When her mother died, one of her reactions to her newfound wealth was to make promises of loans and gifts to friends and family," Young said.

In order to slow down the process and protect her client from her own rash decisions, Young drafted the following letter for her to send to friends and family:

"My financial advisor has advised me not to make any unnecessary decisions until I have gone through the lengthy process of organizing and determining what my financial situation will look like long-term. Managing this transition is much harder than it looks from the outside. I am relieved to be going slowly in the beginning."

"Life events such as inheritances are big transitions that require change management," said Susan Bradley, a certified financial planner and founder of the **Sudden Money Institute.**

"Adaptation takes an average of five years, and people go through three stages," she said. The stages, according to Bradley, are:

End of status quo: "The way your finances used to run have changed, [and] there's new terminology and new responsibilities to take on," Bradley said. "This new phase of your life causes changes in relationships and emotions, especially for couples."

She pointed to a middle-aged married client who inherited money from her mother. The client put some of the funds in a common marital pool, for vacations with her spouse and home improvements, but kept the balance in her name only. "It gave her a new sense of freedom," Bradley said.

Passage: This phase takes years, according to Bradley. "It's a time to reinvent yourself, to explore without making commitments," she said. "My client started thinking about new career opportunities and early retirement."

For their part, Anne Ellinger and her husband, Christopher—co-founders of **Bolder Giving**, a nonprofit that encourages donors to give more generously—took a measured approach when Christopher inherited $250,000 back in 1981. "We were frightened by the responsibility," she said.

Her husband, then age 24, put the funds into socially responsible investments, waited three years before making any big decisions, and developed **Giving Communities**, a resource to help like-minded inheritors sort through common issues.

New normal: You've entered this phase when you stop wondering, "What do I do now?"