



Managing a Windfall and Your New Found Wealth

Coming into a windfall can be an exciting time filled with joy, optimism, and relief. Thoughts of becoming debt free, financially independent, or the owner of your dream home may preoccupy your mind; perhaps this may be the catalyst to launch your dream business. In addition, you may want to celebrate, and most likely, celebrate big! What is important to realize is that when a financial windfall comes your way, whether it be a large one-time payment like an inheritance, a settlement, proceeds from selling your home, or a new job with a “one percenter” salary, the best thing to do is nothing. Give yourself a few weeks to a few months to let the excitement and new found wealth sink in. It is important to take adequate time to educate yourself on how you want to proceed.

According to the National Endowment for Financial Education, 70% of all windfall recipients had exhausted their windfall within a few years of receiving it. In order to avoid becoming part of the 70%, it is important to be patient, move forward with caution, and create a long-term financial plan to guide you in attaining your goals. We have put together four critical points for you to focus on in order to manage your new found wealth. In addition, we have included two worksheets to help you put your new wealth into perspective as well as to help you identify some possible life goals and priorities.

Be Patient, Do Nothing for Now

You may be overcome with many emotions and impulses. Embrace your joy and take some time before making any decision or purchases with your sudden windfall. Wait until your emotions have settled down to let the reality sink in. We recommend writing down your outstanding debts. You can use the attached *Windfall Worksheet* to see everything you owe in one location. Depending on how much debt you have, and how much your windfall might be, you may realize it may not be as large as you initially thought. That’s ok. Eventually you will have a plan. After that, go out to dinner, enjoy yourself and celebrate a little.

Seek a Financial Professional

You should seek a qualified financial professional to help guide you through this life changing event. A trustworthy financial professional acting in a fiduciary capacity will represent your best interest, help you identify possible goals, and create a long-term financial plan to meet those goals. It is important to work with a fiduciary, as they are legally obligated to put your needs ahead of their own. We encourage you to use our *Windfall Worksheet* to identify three financial professionals and schedule meetings with them. We also suggest completing the *Personal Thoughts on New Found Wealth* worksheet before sitting down with a financial professional. This will help provide a foundation for developing your future goals and discovering your priorities.

It is also important to meet with a financial professional to help you plan for the next topic we want to mention, taxes.

**Taxes May be Owed**

Depending on how you obtained your windfall, taxes may be owed. Inheritances or insurance payouts to a beneficiary are typically not taxed. However, inheriting IRA assets (other than Roth) or receiving annuity payouts could trigger tax implications. Selling your home or your business may also trigger a taxable event. It is important to account for any potential tax liabilities and prepare for them ahead of time. Owing the IRS after receiving a windfall would be a terrible turn of events, especially since this can be (and should be) planned for ahead of time.

Family, Friends, and New Found Friends

Unfortunately, one of the most stressful and emotionally draining aspects of receiving a financial windfall and encountering new found wealth will be managing the relationships in your life. Money can bring out the ugly in people. The more public and vocal you are about your new found wealth, the more people are going to come out of the woodwork. It can be difficult to differentiate between those who have always been there to support you versus the new found friends who might seek your friendship for ulterior motives. You might be surprised how many people all of a sudden have a “great business venture” or “need a little help to pursue their dream starting a restaurant (with you as a partial owner of course).”

Receiving a financial windfall can be a dream come true filled with positive emotions. In order to preserve your new found wealth it is important to stay grounded with your values and to surround yourself with the people who will help you reach your goals. Please use the two attached worksheets, the *Windfall Worksheet* and the *Personal Thoughts on New Found Wealth*, to help you establish a foundation with which to build a long lasting plan for yourself and your loved ones.

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One of your main priorities should be to minimize and ideally eliminate debt. Getting rid of your debt will provide you with greater opportunities moving forward. List your current outstanding debts:

Credit Card #1: _____

Student Loan #1: _____

Credit Card #2: _____

Student Loan #2: _____

Credit Card #3: _____

Student Loan #3: _____

Auto Loan: _____

Mortgage(s): _____

Business Loan: _____

Personal Loan: _____

It is important to find a knowledgeable financial professional who has your best interest in mind. The right person for the job will help you identify your priorities and goals for your new found wealth. List three professionals you have researched and identified as possibly being a good fit for your needs and with your personality. Then call to schedule an initial consultation:

Name: _____

Name: _____

Name: _____

Address: _____

Address: _____

Address: _____

Phone #: _____

Phone #: _____

Phone #: _____

Email: _____

Email: _____

Email: _____

Appt. Date: _____

Appt. Date: _____

Appt. Date: _____

It is important to write down the goals you would like to achieve in order to better plan for how to use your new found wealth. Write down three goals you want to achieve:

Goal 1:

Goal 2:

Goal 3:

After completing this Windfall Worksheet and the Personal Thoughts on New Found Wealth worksheet, take them both to each scheduled meeting with the listed financial professionals. These worksheets will serve as a foundation for creating your long-term plan for your new found wealth.



Obtaining new found wealth can be a very exciting experience. It is important to assess your feelings and reactions in order to minimize the risk of emotional decision making. 70% of individuals who receive a windfall have lost most of it within a few years. By understanding your psychology of money and being honest with your emotions regarding wealth, you will be able to more easily achieve your goals and ensure you gain the maximum benefit from your new found wealth.

What was your immediate thought after discovering your financial windfall?

Is your new found wealth received in the form of an ongoing income stream or a one lump sum payment?

Has your new found wealth created any anxiety or stress in your life? Please describe.

What new fears have arisen with your new found wealth?

What brought you the most happiness and joy prior to obtaining your new found wealth? Do you anticipate this changing?

What were your long-term goals before obtaining your new found wealth? Have they changed?

Has your outlook changed regarding any aspects of your life or the lives of those around you?

Which people in your life would you like to help support in achieving a better life if any?

What charities or other organizations are you, or have you been, involved with in the past? Do you intend to consider them in your future plans?