

The Examiner

Also: *The White Plains Examiner, Northern Westchester Examiner and Putnam Examiner*
Armonk, NY

<http://www.theexaminernews.com/prudent-portfolio-when-a-windfall-arrives-its-time-to-re-examine-investing-goals/>

Prudent Portfolio: When a Windfall Arrives, it's Time to Re-examine Investing Goals

Examiner Media | Nov 30, 2016 |

By Peter Chieco



The World Series is over, but for many players who did not participate in the final contest, there is plenty of strategy and maneuvering to consider before the first pitch of spring training, which after all, is a little more than three months away.

I am not talking about game strategies or off-season workouts, but rather financial strategies to deal with what could be dramatic changes in an individual's financial picture. For starters, players who were on the winning team during the Series will receive a bonus, perhaps even amounting to several hundred thousand dollars each.

And all the players who participated in the playoffs also will receive bonuses, with the teams that lasted the longest receiving the most. But player bonuses are relatively minor amounts when compared to the quest for free agency.

Take for instance Mets outfielder Yoenis Cespedes who exercised an opt-out clause, meaning he will forgo the \$47.5 million and the two years remaining on his contract. Back in January the Mets signed Cespedes to a three-year, \$75-million deal that included the opt-out clause.

That may seem like a lot of money, and it is. So why is Cespedes opting to go to free agency when there is money waiting for him already? Primarily, as some analysts believe, it is because he had a strong 2016 season, and now could draw offers of as much as \$100 million in free agency.

Not to be outdone, the Cleveland Indians also locked in manager Terry Francon's contract through 2020. Despite losing the World Series in the 10th inning of Game 7, Francona is regarded as having done a

tremendous job against numerous obstacles to direct the Indians to their first World Series since 1997. While Francona doesn't have the same salary draw that players do, he is on track to earn several million over the course of his contract.

What this all means is that across Major League baseball there are major changes in the income levels of many players and other personnel. How the team did in a given year, plus how the individuals performed, whether as a player or coach, all will come into play when decisions are made on who to keep, who to let go and what kind of money will be involved in each decision.

Overall, though, it will be the players who are either retained or released to free agency who will see the biggest swings in their incomes. And with that kind of money in the mix, it is a great idea to decide immediately how to manage it.

Some analysts believe that when a windfall hits – whether from a baseball payout, an inheritance, sale of a business or other source of extra cash – it is best to set up an investing goal that's specially earmarked for this purpose rather than commingling it with your other earnings. In essence, you have received a raise and you want to grow that money through investing, along with some set aside for increased spending, the amount of which will depend on how long you want it to last and the level of risk you are willing to incur.

Even if you start small, a well-disciplined investor who lays out a plan and sticks with it can provide a sizeable chunk of extra income by the time you start drawing on your retirement. Having extra disposable income that you control, both in the amount and your ability to access it, can take a lot of uncertainty out of budgeting for retirement.

Remember, a lot of emotions can come into play when a sudden windfall hits. Thus, it is advisable to go slowly before making any large disbursements. It could take a few months or perhaps even a year before the reality of all that extra money sets in, but by then, there is a far greater chance of making informed decisions unaffected by emotions.

It also could be a good idea to put some of the money – possibly as much as 10 percent – into an easily-accessible account that isn't used for day-to-day transactions. This could be for emergencies, special needs or just fun, all of which depends on the individual and his or her responsibilities, as well as the size of the windfall.

As you become accustomed to the new income, it's always important to make periodic, regular reviews of how your investments and savings are doing and whether you are meeting the goals you set initially. You may also want to review those goals to determine if they still are viable.

Making the most of a windfall requires a professional level of attention and occasional refinement. In that regard, it is similar to ball players reporting for spring training, where they can reflect on the previous year's successes and setbacks and prepare for the new season with an eye to doing better across the board.

Peter Chieco is a financial adviser with the Global Wealth Management Division of Morgan Stanley in Greenwich, Conn. He can be reached at 203-625-4897.

The information contained in this column is not a solicitation to purchase or sell investments. Any information presented is general in nature and not intended to provide individually tailored investment advice. The strategies and/or investments referenced may not be suitable for all investors as the appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Investing involves risks and there is always the potential of losing money when you invest. The views expressed herein are those of the author and may not necessarily reflect the views of Morgan Stanley Wealth Management, or its affiliates. Morgan Stanley Smith Barney, LLC, member SIPC.

