

The Examiner

Prudent Portfolio: Sudden Wealth Can Have Negative Impacts on Your Life

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Hooray, I won, I won, I'm rich! I had every number in tonight's lottery drawing and all my dreams have come true. I'll never want for anything again – except perhaps for financial acuity – and freedom from guilt trips and distant relatives, and perhaps even complete strangers showing up and seeking handouts.

What seems like boundless wealth based on previous spending patterns can quickly become nowhere near enough for the current outflow, changing “I won” into “I lost” in less time than it takes to purchase a lottery ticket.

Lotteries were sold to the public decades ago as a relatively harmless way to let people indulge in a dream. After a slow start with only a few states participating, the lottery quickly caught on and is now available in 44 states plus the District of Columbia, Puerto Rico and the U.S. Virgin Islands.

Decades later we still hear of people who went from rags to riches to rags after winning hundreds of thousands or even millions in the lottery.

The issue with winning but not having the skills to handle sudden wealth is well known and even has its own syndrome – sudden wealth syndrome – to describe the rollercoaster ride of initial joy followed by uncertainty and unhappiness. Some people receiving unexpected significant wealth report feeling isolated from friends and even guilt over their good fortune – and are also overcome with fear of losing the newly-gained money.

Prize winners face myriad challenges when their fortunes shift dramatically. Going on spending sprees, making bad investments and other irresponsible actions are so common among lottery winners that many states advise them to seek professional assistance.

The emotional impact of sudden wealth can be inconsistent. It may appear to give us more control over our lives, but it can just as easily rebound and take emotional control of us. Sudden wealth creates its own stress including the pressure to make smart investment decisions when the winner may not be prepared for that level of financial management.

For all the stress of instant wealth, however, there are some simple common-sense actions to calm things down starting by taking a deep breath, and when you have come back down to earth, don't sign the ticket.

Make several photo copies of both sides of your winning ticket, and then put the original in a secure location such as a safe deposit box or personal safe. Once the ticket is secure, you can assemble an advisory team, including an investment specialist, lawyer and accountant to help you chart your path.

Then, your team can review the rules associated with winning that much money. Make sure the review is completed before you sign the ticket as it could impact future financial decisions such as preventing you from creating a blind trust.

To protect your privacy, you can keep your good fortune to yourself, and if privacy is a major priority, you also may want to get a post office box and change your phone number. You should make hard and fast rules for how the money will be distributed and to whom if you decide you want to help friends and relatives, in addition to estate planning and paying your own bills.

You also should decide whether to take your winnings in one lump sum or have it paid over time. Now is the time to plan for how the windfall will be handled if you die, as estate division could be a long and complicated process if you haven't made your wishes clear. By planning for an untimely death, you can help ensure your loved ones will be cared for.

Like so many other things in life, winning the lottery is what you make of it. By proceeding cautiously, setting priorities and sticking to a well-developed plan, your sudden wealth can not only last a lifetime, but grow to much more than the original payout.

But if you throw caution to the wind and spend like there is no tomorrow, you will soon find, at least financially, that there is no tomorrow.

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