

What to do with a financial windfall

You might receive an inheritance from your parents, sell your business or even win the lottery. These types of financial windfalls can change your life for the better, provided you have a solid financial game plan and use your common sense.

If you receive an unexpected windfall, you should take a deep breath and carefully consider your options. A hasty action can have serious long-term consequences. It's also a good idea to engage experienced professionals who can help you make well-informed decisions about your future.

Having an objective professional on your side can help you in managing the requests that you can expect to receive from family members, friends and strangers. Remember that an unexpected windfall can attract attention from con artists and other criminals, as well as members of your own personal circle.

The size and timing of a windfall can also give you more options in terms of your career and personal interests. You might be able to quit a job that you dislike, go back to school for a degree, or start traveling the world, for example. But you have to be realistic about the size of your windfall before you start spending. For instance, you might sell a portion of your business for \$1 million, but only receive \$700,000 once your tax obligations have been subtracted from the total.

Along with age, the number of people in your family can also affect your windfall decisions. If you have a spouse or a partner and multiple children, you may want to use your windfall to provide them with financial security. You could purchase a large life insurance policy held in a trust to protect the interest of young children, make gifts directly to older family members or create more sophisticated estate planning techniques that allow you to control the funds after your death.

In terms of investments, you should build a diversified portfolio that is customized to your short and long term financial goals.

If you are a retiree who receives an inheritance or life insurance settlement, for example, a larger percentage of those funds could be invested in income generating assets like corporate or municipal

bonds. Receiving extra annual income can take away the financial pressure and open the door to new lifestyle possibilities.

Not everyone who receives a windfall needs immediate income. If you are an entrepreneur who just sold a portion of her business, you might want to take those proceeds and invest in a new venture. Depending on your personal goals, you may also want to turn your windfall into a growth-oriented investment portfolio with a smaller percentage invested in bonds and the majority of funds would include a mix of stocks and alternative investments.

Because every investor is different, it's important to work with a financial advisor who understands your personal goals and tolerance for risk before suggesting an asset mix for your portfolio. Your tax and legal advisors may also be able to help you maximize the benefits of that windfall for you and your family.

Just don't start spending that windfall right away or you could find your new wealth has disappeared without a lasting benefit. Hold on to those funds as you make your plans and you'll have taken the first step toward your personal financial goals.

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