



MANAGING A FINANCIAL WINDFALL

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Although many people dream of winning millions of dollars in the lottery, only a few successfully manage such a significant financial windfall. The odds of winning seem remote and perhaps far-fetched, yet other significant windfalls can, and do, commonly occur.

Windfalls may take many forms: inherited estates, assets assigned in divorce settlements, insurance payouts issued to spouses, restricted stock distributions or retirement lump sum payouts. In all such situations, the recipient must be careful to manage the windfall wisely.

Stories in the media tell of people who win the lottery and immediately purchase cars, yachts, or other extravagances. In fact a large number of financial windfall recipients (all kinds, not just lottery winners) indiscreetly spend their money and end up living no better than before assuming their good fortune.

How does a recent divorcee guard against losing a large settlement in such a spree? How can a parent intentionally educate a child to manage an inheritance rather than lose it in an orgy of spending?

In her book *Sudden Money, Managing a Financial Windfall*, Susan Bradley, CFP®, discusses potential pitfalls and recommends a three-step process: 1) preparation and planning, 2) action, and 3) monitoring and sharing.

STEP ONE - PREPARATION AND PLANNING

Prepare before you plan. Strive to understand your own emotions and thus avoid hasty, emotionally based decisions. Resist influence from close family and friends but instead, assemble a professional advisory team that includes a financial advisor. If you know a trusted attorney, accountant or financial advisor, he or she can recommend others to serve on your team. As a financial planning firm we work with many other professional colleagues and will recommend and/or join a team upon request.

Meet with your selected financial advisor to determine future goals, tax status, risk tolerance, and other financial requirements. Your advisor can provide you with a range of choices to help shape your new lifestyle and answer questions such as, "Should I buy a new house? Should I quit my job? Should I give some of my money away to others?"

STEP TWO – ACTION

Act upon your clarified goals. Upon completing Step One with your advisor, you will feel more comfortable with your newly found wealth. At this stage your advisor will suggest an investment strategy to help you achieve your objectives. He/she will explain the concepts of risk and reward, and guide you to discover a proper balance between the two that



is appropriate for your unique set of circumstances. It is important to ask questions so you thoroughly understand what to expect if you invest in stocks, bonds, or mutual funds.

Your planner will also discuss your new tax status and offer suggestions which could minimize your tax liability. He or she will counsel you regarding other emerging concerns, such as insurance. This phase is crucial to protect your new financial wealth and allow it to work for you in the future.

STEP THREE – MONITORING AND SHARING

Monitor financial progress by taking long-term action. Stay in touch with your planner through regular email, phone calls and meetings. During these various communications you can continue to review, update and revise your goals, note any changes in your personal situation, and rebalance and/or change your investment portfolio.

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SHARE WITH OTHERS

As you monitor the performance of your assets, you will want to discuss how to share your wealth among family members and other individuals and/or charities by creating an estate plan. Your planner can recommend an estate-planning attorney. As a member of your team, your attorney will join with your other advisors to recommend a distribution plan that will implement your desired legacy.

WINDFALL – BLESSING OR CURSE?

A financial windfall can be a blessing providing resources to enrich your life and the lives of those around you. It can also become a curse ushering in lost dreams, shattered lives, heartache and sorrow. When you learn a source

of wealth is forthcoming, be prepared to receive and manage it profitably by utilizing a financial planning advisor who can guide you through a process to preserve and grow your gift. Make decisions only after being fully informed.

Feel free to contact your Relationship Manager with questions, or to ask for more information on the topic of windfall management.

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VANTAGE NEWS

By definition, we confess that financial planners prefer to follow well-orchestrated plans - even on vacation. However, sometimes trips just don't quite go as intended, as you will soon see.

While visiting Italy, some friends and I decided to take a day trip from Rome to Venice. We missed our train stop due to the language barrier and had no choice but to continue on for another three hours to Milan. After being scolded in another language by a very angry and frustrated conductor, we then rode the train for three more hours back to Venice, allowing only two hours to explore the city before our return train headed to Rome. We sprinted across the entire city to see St. Mark's Square and the pigeons, and then sprinted back to the train station. After logging nine hours of train time for a two-hour experience, we returned to Rome wondering what adventure the next day might bring.

Jonathan Stano

During a trip to Europe, a late season avalanche transformed a scenic drive down a six-lane-highway into a treacherous crawl through snow-laden mountain passes in the Austrian Alps. As we

left Munich, Germany I must admit it was my idea to keep going when the police informed us the highway was closed. As we climbed into the mountains on our way to Lucerne, Switzerland, some roads were so narrow that we had to fold in our side view mirrors in order to wedge the rental car between the mountainside and the car in the other lane.

The circular roads around the mountains seriously impaired our sense of direction. But after about three hours we knew we were on our way down as green grass started to appear. We were congratulating ourselves for outwitting the Alps as we sped down the highway when again, a policeman pulled us aside to tell us the highway ahead was closed due to another avalanche.

This time we were forced to turn off the highway at a small Tyrolean village called Zams, Austria. The ski season was over, but we easily located a small kiosk listing local residents willing to open their homes to skiers during the winter months. A phone in the kiosk allowed us to seek a room - if we spoke German, which we did not. Fortunately a couple of German students, Santa & Claus (no kidding!) noticed our frustration and offered help. After making several calls, they located a place for us to stay.

Our hostess, who did not speak English, pointed up a set of dark stairs to the attic. Jeff led the way, carrying our suitcases. As he rounded the last bend, I heard him gasp and saw his back stiffen. A full-sized stuffed bear, some owls and a few deer heads were all nestled into the alcove at the top of the stairs, their glass eyes glinting at us in the semi-darkness. Such an adventuresome day made our tiny attic room seem like the Ritz Carlton.

Terry Kaul

These stories remind us that life is dynamic rather than linear. Even the best laid plans can go astray, only to lead us into new discoveries, adventures and insights we might otherwise miss. May you also find new discoveries, adventures and insights to appreciate during our current economic situation.

Nikhil Majithia, a member of the Vantage Investment Team, has left Vantage. Other Investment Team members, including our founder, Michael Rohrwasser and Dan Kaibel, Investment Analyst, will be assuming his responsibilities. We ask you to join us in wishing Nikhil the very best.