

# Sudden Wealth: Managing Windfall Gains

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Receiving a sudden influx of wealth can be a dream come true for many people. Whether it's a legal settlement, execution of stock options, selling your business or receiving an inheritance, sudden wealth can transform your life overnight. However, newly amassed wealth also comes with significant challenges and risks. Without proper planning and guidance, sudden wealth can be lost as quickly as gained.

## **Take a pause and assess.**

Before making any decisions, take some time to reflect on your newfound wealth and what it means for your life goals and financial future. It's easy to get caught up in the excitement and spend impulsively, but taking a moment to pause and consider your options can help you make better decisions in the long run.

## **Seek Professional Advice**

Consider working with a financial advisor who can help you make informed decisions and develop a long-term financial plan. A sudden influx of wealth can be overwhelming, and it can be challenging to make rational decisions amid such a significant change. A financial advisor provides objective advice to help you make educated decisions about your money.

## **Create a budget and stick to it.**

Develop a budget that reflects your new income level and prioritize saving for the future. Resist the urge to spend all your newfound wealth at once. Instead, create a sustainable budget that allows you to maintain your standard of living while also saving for the future.

## **Diversify your investments.**

Avoid putting all your wealth into one investment or asset class. Instead, consider diversifying your investments to manage risk. A "slow-and-steady" approach to stocks and investments is a smart strategy.

Diversifying your wealth can help protect you from market volatility and reduce your overall risk.

## **Avoid overspending and lifestyle inflation.**

Be wary of making large, spontaneous purchases that can quickly deplete your newfound wealth. Large amounts of money should be treated as a business. Just because you have more money doesn't mean you need to spend it all.

## **Be Generous - But Be Smart**

Family and friends can often be the biggest threat to your sudden wealth. New friends and estranged family members may resurface in your life for the wrong reasons, expecting a share of your newfound wealth. Athletes and lottery winners experience this frequently. It is quite common for advisors of athletes to put the athlete on a salary and advise them to direct requests for money to the advisor. This creates some distance between you and the family member or friend – and your wealth. You may also find yourself exposed to frivolous lawsuits and threats. The safety of your person and your family, as well as your wealth, will become very important.

## **Manage Expectations of Charitable Giving**

Developing a comprehensive financial and life plan that includes charitable giving and gifting is essential when managing sudden wealth. Be clear on the amount

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of income you would like, but also the type of life you want and the charities you hope to impact. Depending on the amount of wealth, you move from “sufficiency thinking” to “stewardship of the assets.” Once you identify your goals around each area, it becomes much easier to associate dollars needed to fund those goals.

Working with an advisor can also help educate you about exactly what you can – and can’t – expect to accomplish with your newfound wealth. Sudden-wealth recipients may not be aware of tax- smart charitable giving strategies that may help them in the long run.

## Educate yourself

Take the time to educate yourself about financial concepts and investing strategies. This will help you make informed decisions and avoid costly mistakes. Don’t be afraid to ask your financial advisor or other advisors questions as they walk you through their financial advice and plan.

## Surround yourself with a support team

It’s important to have a strong support network of people who have your best interests at heart. Surround yourself with friends and family members who will support and encourage you. Seek out mentors and advisors who can provide guidance and expertise.

Sudden wealth can be a life-changing experience, but it also comes with its own unique challenges and risks. By taking a thoughtful and deliberate approach, working with professional advisors, and staying focused on your goals and values, you can make the most of your newfound wealth and create a legacy for yourself and those you care about.

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