HOW TO . . .

Manage Sudden Wealth

It's closing day, and you're finally cashing in on that real estate deal you've been dreaming about. As you leave the attorney's office, you sneak a peek at the check in your hand. Wow, that's a lot of zeros! You say to yourself, now what do I do?

This is a question that many people face when confronted with sudden wealth. Whether you are leaving your job and have a large sum in a retirement plan, are receiving an inheritance at the death of a loved one, or closing on that real estate sale, you have much to think about.

Before you go out and buy that Ferrari, you might want to consider the consequences. Robert Kiyosaki, the author of *Rich Dad Poor Dad* says that most people "don't know what to do with it." He adds that the money is often mismanaged and it is not uncommon for an entire inheritance to vanish within a year or two.

Remember to take your time. There is no need to rush into any purchases or decisions. In fact, the first thing you'll want to do is simply deposit the funds into an interest bearing bank account, preferably a money market. From there you can begin to plan.

A good accountant can be your best friend, because in many cases you may have taxes to

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pay, either capital gains, income or both. Determining this liability and setting the appropriate funds aside is crucial. You don't want to get on the bad side of the IRS!

Now that Uncle Sam has been paid, you can begin to dream a little. What would you like to use the money for? Will it fund your retirement, send the kids and grandkids to college or go to charity. If you're like most people, it will serve many of these purposes.

A financial advisor can put a plan together to help you fulfill these dreams. If you plan well, the assets will not only help you, but future generations. Your advisor may recommend tax-advantaged products, ranging from annuities to 529 college savings plans to municipal bonds. There are many instruments available now which are designed for your specific goals.

Remember the importance of discipline. After you have set up a plan with your advisor, stick to it. All too many times people do not follow their plan and end up with unexpectedly negative results.

Many people also want to take care of their church or a charity they care about. Using charitable trusts, you have the flexibility to benefit both your family and your charities over a long period of time. People with larger amounts may also use a family foundation to distribute their charitable donations.

And finally make sure to get your legal documents in order. It may be necessary to set up trusts to manage your estate. Always make sure to update your will and add a power of attorney who you trust as well as a medical directive or living will. Your attorney should work with your other advisors to ensure that you have adequate legal protection and that your wishes are fulfilled.

Again, patience is key when you receive a large sum of money. Take the time to meet with your advisors and lay out a plan of action that will benefit not only you, but your family, charities and generations to come. You'll be glad you did.

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Reprinted from the

BLUE RIDGE BUSINESS JOURNAL
Serving Roanoke Valley/Lynchburg/New River Valley