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ITI STRATEGIES, INC

Investment, Tax and Insurance Planners

Sudden Wealth

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What would you do with an extra \$10,000? Maybe you'd pay off some debt, get rid of some college loans, or take a much-needed vacation. What if you suddenly had an extra million or 10 million or more? Now that you've come into a windfall, you have some issues to deal with. You'll need to evaluate your new financial position and consider how your sudden wealth will affect your financial goals.

Evaluate your new financial position

Just how wealthy are you? You'll want to figure that out before you make any major life decisions (e.g., to retire). Your first impulse may be to go out and buy things, but that may not be in your best interest. Even if you're used to handling your own finances, now's the time to watch your spending habits carefully. Sudden wealth can turn even the most cautious person into an impulse buyer. Of course, you'll want your current wealth to last, so you'll need to consider your future needs, not just your current desires.

Answering these questions may help you evaluate your short- and long-term needs and goals:

- Do you have outstanding debt that you'd like to pay off?
- Do you need more current income?
- Do you plan to pay for your children's education?
- Do you need to bolster your retirement savings?
- Are you planning to buy a first or second home?
- Are you considering giving to loved ones or a favorite charity?
- Are there ways to minimize any upcoming income and estate taxes?
- Note: Experts are available to help you with all of your planning needs. If you don't already have a financial planner, insurance agent, accountant, or attorney, now would be a good time to find professionals to guide you through this new experience.

• Impact on investing

- What will you do with your new assets? Consider these questions:
- Do you have enough money to pay your bills and your taxes?
- How might investing increase or decrease your taxes?
- Do you have assets that you could quickly sell if you needed cash in an emergency?
- Are your investments growing quickly enough to keep up with or beat inflation?
- Will you have enough money to meet your retirement needs and other long-term goals?
- How much risk can you tolerate when investing?
- How diversified are your investments?
- The answers to these questions may help you formulate a new investment plan. Remember, though, there's no rush. You can put your funds in an accessible interest-bearing account such as a savings account, money market account, or short-term certificate of deposit until you have time to plan and think things through. You may wish to meet with an investment advisor for help with these decisions.

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- Once you've taken care of these basics, set aside some money to treat yourself to something you wouldn't have bought or done before--it's OK to have fun with some of your new money!

• **Impact on insurance**

- It's sad to say, but being wealthy may make you more vulnerable to lawsuits. Although you may be able to pay for any damage (to yourself or others) that you cause, you may want to re-evaluate your current insurance policies and consider purchasing an umbrella liability policy. If you plan on buying expensive items such as jewelry or artwork, you may need more property/casualty insurance to cover these items in case of loss or theft. Finally, it may be the right time to re-examine your life insurance needs. More life insurance may be necessary to cover your estate tax bill so your beneficiaries receive more of your estate after taxes.

• **Impact on estate planning**

- Now that your wealth has increased, it's time to re-evaluate your estate plan. Estate planning involves conserving your money and putting it to work so that it best fulfills your goals. It also means minimizing your taxes and creating financial security for your family.
- Is your will up to date? A will is the document that determines how your worldly possessions will be distributed after your death. You'll want to make sure that your current will accurately reflects your wishes. If your newfound wealth is significant, you should meet with your attorney as soon as possible. You may want to make a new will and destroy the old one instead of simply making changes by adding a codicil.
- Carefully consider whether the beneficiaries of your estate are capable of managing the inheritance on their own. For instance, if you have minor children, you should consider setting up a trust to protect their interests and control the age at which they receive their funds.
- It's probably also a good idea to consult a tax attorney or financial professional to look into the amount of federal estate tax and state death taxes that your estate may have to pay upon your death; if necessary, discuss ways to minimize them.

• **Giving it all away--or maybe just some of it**

- Is gift giving part of your overall plan? You may want to give gifts of cash or property to your loved ones or to your favorite charities. It's a good idea to wait until you've come up with a financial plan before giving or lending money to anyone, even family members. If you decide to give or lend any money, put everything in writing. This will protect your rights and avoid hurt feelings down the road. In particular, keep in mind that:
 - If you forgive a debt owed by a family member, you may owe gift tax on the transaction
 - You can make individual gifts of up to \$14,000 (2017 limit) each calendar year without incurring any gift tax liability (\$28,000 for 2017 if you are married, and you and your spouse can split the gift)
 - If you pay the school directly, you can give an unlimited amount to pay for someone's education without having to pay gift tax (you can do the same with medical bills)
 - If you make a gift to charity during your lifetime, you may be able to deduct the amount of the gift on your income tax return, within certain limits, based on your adjusted gross income
- Note: Because the tax implications are complex, you should consult a tax professional for more information before making sizable gifts.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

The information provided is not intended to be a substitute for specific individualized tax planning or legal advice. We suggest that you consult with a qualified tax or legal advisor.

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