CFP BOARD

What Not To Do When You Inherit Money

CFP Board Ambassador lists five mistakes to avoid when handling an inheritance

Englewood, CO, May 22, 2017 – Treated wisely, inheritances can help people meet their long-term goals, from rescuing their retirements to paying off credit card debt to financing family education.

Yet windfalls can turn into mixed blessings when people rush into decisions. Research finds a third of Americans can expect to receive a significant inheritance. But many end up spending or giving too much, when developing a careful plan to spend, save and invest would help them meet their most important financial goals.

Karl Frank, CFP ® observes that "many people start spending as soon as they hear about an inheritance. We've seen it all! The worst time to make financial decisions is in the throws of emotions. Instead, go slowly and work with a financial professional to make a plan.

In the latest contribution to LetsMakeaPlan.org, the CFP Board offers a list of five mistakes experts often see Americans make when they receive an inheritance.

- **Spending mindlessly**: Some people begin mindless spending on "just a small indulgence." A series of those kinds of purchases can morph into a spending splurge that might rob people of their ability to reach their overall goals for the inheritance.

- **Going it alone:** Even Americans who manage their 401(k)s or their taxes on their own can benefit from help. That's because a windfall, whether it's an inheritance or lottery proceeds, is different. Those who receive an inheritance should consider assembling a team, including an estate attorney, an accountant and a CERTIFIED FINANCIAL PLANNER™ professional.

- **Making decisions too quickly:** Experts say Americans should be careful not to make any big life decisions, like selling a house or quitting a job, too early in the process. An inheritance often coincides with loss, and many people aren't thinking clearly when their emotions run high.

- **Becoming paralyzed in the investment process:** Sometimes people who receive a lump sum become so worried about "investing at the top," that they do nothing. They can consider dollar cost averaging (DCA), the investment strategy that divides available money into equal parts and then periodically puts the money to work in a diversified portfolio over time.

- **Providing for everyone except themselves:** People love their kids, friends and charitable organizations – so much so that they sometimes neglect to take care of themselves. Experts advise pushing the pause button. There is plenty of time to provide generous support after a plan is established.

Receiving an inheritance is a great reason to consult a CFP® professional, who can help you tailor a plan that achieves your long-term financial goals.

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ABOUT KARL FRANK AND A&I FINANCIAL SERVICES

Karl Frank, CFP®, MSF, MBA, MA, is the President of A&I Financial Services LLC, a Colorado company that helps a small number of successful families grow and protect their investments and choose how they want to be taxed. Learn more at www.assetsandincome.com.

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