

# HOW TO MANAGE AN INHERITANCE

By 2052, an estimated \$41 trillion will pass between generations, according to the Center on Wealth and Philanthropy at Boston College. For many people who have never given any thought to what they might do with an inheritance, the gift may seem like a burden rather than a blessing, even if it's a modest amount of cash. Anxiety and guilt can increase in proportion to the amount of money involved. Substantial inheritances can spark financial and emotional reactions that make it difficult to set goals and make financial decisions.

If you are the beneficiary of an inheritance, no matter the size, these three strategies can help you integrate your new wealth successfully into your life.

## STOP AND TAKE A DEEP BREATH

About 40 percent of individuals who received an inheritance of \$50,000 or more spent less than a week deciding what to do with it, according to an Oppenheimer Funds study conducted in 2000. And as many as 70 percent of people who receive a windfall fritter it

away in just a few years, the National Endowment for Financial Education estimated in 2002. Consider your options carefully and thoroughly before making major financial decisions.

First, you should consider eliminating any credit card debt. And if you don't have an emergency fund of four to six months of living expenses in liquid investments, you should strongly consider using part of your inheritance to begin one.

Before you go shopping, make a list of potential purchases with dollar figures attached. Then, put the cash in a money market account for six months to a year. That will give you time to grieve, research purchases and investments, and ensure that the decisions you make about how you want to use your legacy match your values.



---

## CONSIDER PROFESSIONAL ADVICE

It may be worth paying for investment advice, if only to put all of your well-meaning friends' advice into perspective. The importance of good financial, legal and tax advice increases with the impact the inheritance has on your financial situation.

What should you look for in an inheritance plan? Three steps are important: chart your goals after a reflective period; select investments according to your desired results; and establish systems to keep everything on track. This approach should be at the heart of any financial plan.



There are several avenues available to address the variety of problems that impact wealthy people. The goal is to resolve any nagging emotional issues, so you'll be able to make good financial decisions and use your wealth to fulfill your goals. One online resource to explore the emotional aspects of wealth is The Inheritance Project at [www.inheritance-project.com](http://www.inheritance-project.com). It was founded in 1992 by heiresses Barbara Blouin, Katherine Gibson, and Margaret Kiersted.

## KEEP YOUR EYES ON THE BIG PICTURE

Just as any financial professional will encourage you to take a long-term view when it comes to investing, you should adopt the same philosophy when it comes to integrating inherited wealth into your family. The Gallo Institute at [www.galloinstitute.org](http://www.galloinstitute.org) provides resources on financially intelligent parenting.

If you have a large inheritance, it is important to recognize that your wealth may change not only your life, but the lives of your children. It is essential to prepare your children to be good stewards of the wealth they will one day inherit. Barbara Blouin's booklet *Coming into Money: Preparing Your Children for an Inheritance*, is a resource for parents considering giving substantial money to their children as young adults. It discusses the substantial perils of inheriting early and suggests how some advance financial planning can help empower your children financially.

Carol Ringrose Alexander, CFP®, AIF®, CEPS, RLP®, CDFA®, CCFC  
Originally published in *Slice* March 2011



[www.TheRetirementPath.com](http://www.TheRetirementPath.com)