

Loss and inheritance

Taking charge of both



The first piece of advice for those who have inherited significant wealth is: Take your time.

When a loved one dies, you may experience a flood of mixed emotions—combined with the uncertainty of inheriting an estate. This article will help you understand and take charge of this complex transition so that you can move forward with more confidence, and help ensure that you and your family are protected.

The first piece of advice for those who have inherited significant wealth is: Take your time. Before making big decisions, you may need time to grieve for the loved one you have lost, sort through what has been left and assess your own perspectives on investments, spending and even gifting to others.

In the meantime, you may consider parking any liquid assets in lower risk, accessible vehicles like a bank account, money market fund or short-term certificates of deposit. If you inherit stocks, bonds or mutual funds, a financial advisor can help you consider whether to simply maintain the existing investment plan until you're ready to implement a plan of your own or determine if there are certain assets that warrant more immediate attention based on your risk tolerance. And, if you receive real estate or other physical assets, make sure that the home or other property is maintained and kept secure until you decide what to do with it.

Understand what your additional wealth can mean for your life

Depending on the amount you inherit, your new wealth may be life-changing. Think carefully about how your lifestyle may change or how your inheritance can fund the things you've always wanted to do. Ultimately, you may decide to use part of your wealth to help family members, plan your retirement, start a new business, give to charities or even fund a charitable foundation. A financial advisor can help you implement your decisions with greater confidence once you have considered the impact of your many options.

Balance emotional and practical needs

Some heirs find it difficult to part with certain possessions of their benefactors, such as a piece of art or a grandparent's classic car. These sentiments may even extend to certain stocks or the vacation home where summers were spent as a child. You may feel the same way about assets you've inherited, or you may want to sell them and use the proceeds to pay for college, reduce debt or help meet other goals. Assess your options and make thoughtful decisions on whether to keep, sell or even donate what you have inherited.

Sometimes a single asset is left to more than one person, as when siblings inherit a home. In these cases, talking to your family and planning ahead is essential to having a satisfying resolution to how the asset should be transferred or shared. A financial advisor can help you balance fulfilling your loved one's wishes with your own financial needs.

Update your financial plan

As you evaluate your priorities and define your vision for the future, you may consider some of the following:

Retirement funding

- Evaluate your current plans for retirement and see how your inheritance might influence your goals. You may decide to retire earlier, for example, or your retirement lifestyle may now include expenses that you didn't originally plan for.
- Review your retirement accounts and determine whether you can or should make additional contributions, both this year and in the future.
- Consider long-term care insurance. Healthcare is one of the most expensive inflationary items for retirees. While your wealth may enable you to pay long-term care costs out of pocket, you should still evaluate the economic impact of long-term care insurance. You may also find this strategy will help you pass more of your inheritance to family or charity.

Debt

Explore strategic borrowing. Your new wealth could serve as collateral to start a business or invest in real estate.

Taxes

Talk to your tax advisor about the tax impact of your inheritance. Review your current tax planning strategies and, as needed, revise your approach to help minimize federal and state tax liability.

Investment management

- No wealth plan can be complete without addressing investments, seeking to preserve and grow your wealth may be foundational to pursuing your goals.

- Reassess your near-term and long-term financial goals and determine your investment risk profile. You can then ensure your portfolio strategy aligns with what you are trying to achieve, including your own plans to leave a legacy, and help manage your assets from volatility, inflation and taxes.

Passing assets to family

- It's prudent to evaluate whether changes are needed to your current estate plan in light of your inheritance. Your estate tax situation may have changed, so you should consider strategies for passing assets to the next generation while seeking to minimize tax obligations. Working with your estate planning attorney, you may decide to start an annual gifting program, add to a child's college fund or review if and how life insurance fits into your plan.
- Don't forget to check the fundamentals. Update your will and review the beneficiary designations on retirement accounts and life insurance.
- If you have not already done so, you may want to explore trusts. Properly drafted and funded, trusts can offer estate tax savings while providing control over when and how beneficiaries access trust assets. This may be especially important when considering minor children, young adults or those with special needs.

Charitable giving

- If you are charitably inclined, identify organizations you may wish to support, and explore how giving can potentially reduce your tax obligations.
- Consider charitable giving vehicles that would be appropriate for what you want to achieve, such as a donor-advised fund, family foundation or various types of charitable trusts.

This is just an overview of the decisions you may need to make and the steps you may need to take when you receive an inheritance. It's likely you will find the process both positive and challenging. Consider talking to a financial advisor about how you and your family can gain the greatest benefit from your wealth.

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