

Paul Allen, Microsoft and Inheritances. *The Gift of Legacy*

The passing of Paul Allen, co-founder of Microsoft with an estimated net worth of close to \$20 billion, has people dreaming that he was the uncle they never knew existed – and one that left them a fortune in his will. But what would you do if you really did get a lucrative windfall?

The baby boom generation (born from 1946 to 1965) stands to inherit a total of some \$10 trillion dollars in the coming years. Market swings and changes in property values continue to alter that estimate, yet two-thirds of boomer households will receive some inheritance, with a median amount of \$64,000.

Nearly one in three (30%) of pre-boomers, born between 1930 and 1945, also expect to receive an inheritance. More than one in seven (15%) of those folks predict to collect more than \$100,000 after the funeral.

Inheritances come at the (usually) terrible cost of losing someone important to you. Any significant inheritance, much like hitting a lottery jackpot, cuts two ways. But properly managed financially, an inheritance can change life for the better.

Poorly managed, however, and it can slip through your hands and lead to heartbreak. Here's how to ensure that any windfall you inherit lasts as a blessing.

Be Patient

When emotions subside and your head clears, remember you're under no deadline to figure out what to do with the money.

You may feel you must do something as quickly as possible, whether to invest the money, buy a new car or pay off debt, among the many possibilities. But the truth is that solid and financially wise ideas can wait for three, six or even 12 months while you develop your overall plan.

Secure the services of a trusted financial planner and tax professional before you even see the check. Remember, the tax man doesn't always arrive from Washington: most states tax recipients of inheritances too.

Make a Plan

Inheritances call for investing, not spending. Consider living your daily life as though you didn't get a dime. Meanwhile, start mapping how to allocate the money as you might allocate or diversify investments in a portfolio:

- Eliminate debt – provided you don't simply set the stage to rack up more debt – and start with debt carrying the highest interest rates.
- Add to your emergency fund of six months' expenses.
- Save for higher education with such vehicles as a 529 plan.
- Allocate money for investing yearly maximums in retirement accounts.
- Invest in home repairs or equity-producing improvements.
- Plan how to say no to money requests from friends, relatives and associates.
- Bear in mind what depreciates the minute you buy it, such as food, cars or a vacation. Treat yourself as a reward for first allocating a portion of the money wisely.
- If the inheritance truly does constitute extra money, still save 80%.

Protect the Kids from Themselves

Make children wait for their portion of the inheritance. Many adults make foolish and impulsive moves with a pot of money. Imagine a teen with such a fortune.

When it comes time to write your will, specify that any money left to minors goes only to education or a similar worthy expense or until the recipients reach a certain age.

A big inheritance usually comes, at most, once in a lifetime. Getting an inheritance is still easier than using it wisely.



Let's Have a Conversation

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