

# Here's what to do if a windfall comes your way

If you've been dreaming about winning the World Series of Poker or collecting the Powerball jackpot, you have plenty of company. Though the odds of winning are extremely small, it's fun to think about the possibilities. And since you likely aren't ever going to win the Powerball, you might come into a more modest windfall somewhere down the road.



So here's what to do if you hit it big:

- **Take a deep breath.** Take your spouse or best friend out to dinner, but don't launch a spending spree you'll later regret. Stash your treasure in a money market fund or bank CDs until you've had time to think things over.
- **Don't spread the news.** If you won your poker championship on national television, this won't work, but if you can, try to keep your windfall private. The more people who know about it, the more people you'll have trying to get their hands on your money.
- **Put together a dream team.** Get an independent, fee-only financial adviser (you can find one near you at [www.napfa.org](http://www.napfa.org)) to look at your overall picture and bring in a CPA and a lawyer to handle the tax and legal angles. If your windfall is significant, good advice is especially valuable.

- **Pay Uncle Sam his due.** Find out what (if any) liability you have to the IRS and set up a plan to make estimated payments if necessary, for current and future years. The money withheld from big gambling winnings (generally 25 percent on winnings more than \$5,000) may not cover the tax bill.

The good news is you can deduct your gambling losses up to the amount of your winnings if you itemize. If you anticipate winning big, start keeping a diary of your wins and losses and hang on to those receipts.

- **Think about your priorities.** A windfall is a chance to make a big difference in your life. Depending on how big that windfall is, you may have an opportunity to secure your future and that of your children, to help your community or the world in some significant way, to build your dream house or to pursue a passionate interest. Figure out how much the important stuff will cost before you spend the money on things you care less about. Decide what charitable causes you want to endow rather than responding to pleas as they appear.

- **Avoid scam artists and be a smart investor.** The world is full of people with dreams of getting rich by separating people like you, Mr. Lucky Winner, from your money.

You particularly want to be careful about investing in private business ventures, most of which fail. One option is to put part of your money in an immediate life annuity that will guarantee a base level of income for the rest of your life. However, you'll also need investments that will grow and allow your income to keep pace with inflation.

- **Think long term.** Maybe it's unlikely, but it's possible that your money will last longer than you. Your financial adviser and attorney also can collaborate to help you come up with an estate plan to carry out your wishes.

- **Enjoy!** Once you have your plans in place, you won't have to worry as much about the future.

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