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The Predicament of Sudden Wealth

By admin

Imagine one of the following scenarios. Suppose you have suddenly come into a significant sum of money. For the interest of this example, we will imagine that it is one million dollars. This might have come to you by way of a lottery win, an estate inherited after the death of a family member, or some other event that may have been either expected or unexpected. You now find yourself in an entirely unique financial situation from anything you have experienced before, whereas previously you were living paycheck to paycheck, you could now actually consider early retirement.

The problem, however, is that many individuals and families who suddenly come into money are entirely unequipped to effectively handle that money. They might tell themselves they will spend a little to celebrate, but that spending is nearly impossible to stop once it begins. In this article, we are going to briefly discuss some strategies for handling large lump sums of money so that you can benefit from your new wealth for the rest of your life.

The first and most important strategy is to consult a professional financial advisor. There is no substitute for the personalized, highly-trained counsel of someone who is experienced in managing large sums of money. Even if you feel confident that you can depend on your own judgement—**do not**. You will be extraordinarily grateful to have someone on your side to help ensure you made the right decisions.

Here are some other important tips for handling a large lump sum of money:

- **Eliminate high-interest debts.** Credit card debts should be the first debts eliminated if you come into a large sum of money. Many of these debts carry interest rates as high as 20% or even more. Pay these off before you buy that sports car you've been dreaming of.
- **Make your money work for you.** Money spent on consumer purchases can only serve you once, at the moment it's spent. But with a bit of knowledge (and the help of a savvy financial advisor), you can make your money work for you. By investing your money effectively, the earnings from your investments can serve as your ongoing income. The ideal scenario is for investment income to pay for some or all of life's expenses without eating into your original lump sum.
- **Contribute to your RRSP.** Your Registered Retirement Savings Plan is loaded with tax-saving advantages as opposed to investments made outside of a tax-preferred account. An RRSP deposit can help reduce or even completely eliminate taxes on a federal tax return.
- **Maximize your Tax Free Saving Account.** As of 2016 the accumulated TFSA contribution limit now sits at \$46,500. If you have never used a Tax Free Saving Account, this would be a great time to make a maximum contribution and begin accumulating assets in an account where all the earnings and withdrawals will always be 100% tax-free.

If you have questions or concerns about how to properly invest a large sum of money, [contact our office today](#) [1] for professional advice tailored to your unique situation.

Do you have questions about managing your wealth?

[Contact our office today !](#) [1]

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