FINANCIAL E-BOOK

WHAT TO DO WHEN YOU RECEIVE AN INHERITANCE

Did You Just Receive An Inheritance?

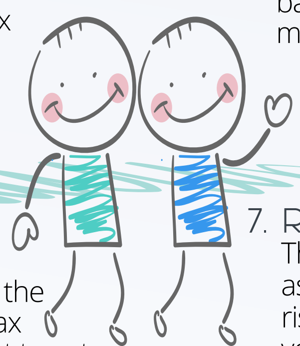
At some point in your life, you may receive an **inheritance** when a family member or loved one passes away. One of the questions we often get asked about revolves around how to **make smart money moves** when this type of event happens. Here are some of the things **I would recommend** considering if money or property is bestowed upon you.

1. Do Nothing For 60 Days

   When people inherit property, investment assets, or collectibles far too often I see people immediately buy themselves something or sell assets too quickly. Make sure you take a complete inventory of everything you received, revisit your financial plan, and just simply build yourself a due diligence period before making any concrete decisions. Allowing this time to pass will give you the ability to make more fact based than emotional decisions.

2. Understand Tax Implications

   Based upon the size of the overall inheritance, you could potentially owe estate taxes which will be due 9 months after the date of death. Certain assets may have received a step up in cost basis which could affect the timing on when you want to sell certain assets. If you have inherited qualified assets such as an IRA, 401(k) plan, or an annuity, there will be financial choices that involve complex tax decisions. Be very thorough with businesses, real estate, collectibles, and investment assets on what the income tax implication will be to your bottom line.



3. Pay Off Debt

   Do all the financial calculations you want. Most stockbrokers or investment advisors will assure you that they can do better over the long term with your money than the after-tax cost of borrowing on your debt. After almost twenty years in the business, the happiest people I have counseled are the ones that have little to no debt. Pay off your non-deductible consumer debt first, and then pay off any other debt you can afford to with the leftovers. It may not be a trip to the Bahamas, but doing this will really build a great foundation for your financial plan.

4. Create A Cash Reserve

   If you don't already have one, take at least 6 months of your total expenses, and put your inheritance in cash reserve type instruments. A savings, money market, or credit union type account will work just fine. With an official unemployment rate of roughly 10% in the United States, this will give you some financial security should something unexpected happen with your job.

5. Get The Sentimental Items Appraised

   You will find that collectibles and jewelry you inherit have never been appraised or you may not be able to find the original receipts. Find a trusted credible appraisal source to learn the true value of these sentimental items. Take a healthy amount of time to decide what you want to keep in the family, and what you may want to sell on the open market. You may need to get a physical safety deposit box, a safe, or scan photos for an on line safety deposit box. You should call your insurance agent as well as you may now need additional floaters or riders for your homeowner's insurance policy.

6. Make Sure To Get Insurance On Real Estate

   Once you secure the title to the real estate property, make sure to check all property records around back taxes. In addition, call your insurance agent to make sure you have all appropriate homeowner's and/or umbrella insurance policies that are necessary. Examine the property closely to see what repairs may need to be made to the home.

7. Review Investments & Your Financial Plan

   The investment portfolio your inherit will have an asset allocation based upon the deceased person's risk tolerance, time frame, and tax brackets. Since your situation is unique, this is an appropriate time to look at the overall asset mix and decide if it is too conservative, too aggressive, or just right. You should review how the type of investments fit in with your overall financial plan, and if there is a better structure of these assets to help you reach your goals.

There are many other issues to consider, but these are some key ones you should keep in mind.