



CHARTER OAK
CAPITAL MANAGEMENT
Registered Investment Advisors

The Acorn

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About to Become Suddenly Wealthy?



The feeling of sudden wealth is something many people experience. It can happen after receiving a large pension or 401(k) lump sum rollover, a divorce or legal settlement, life insurance proceeds, or the sale of a business or employee stock options. Of course, there is always the old-fashioned way: an inheritance, a common event as we are in the midst of the largest intergenerational transfer of wealth in American history.

According to Robert Pagliarini, author of *The Sudden Wealth Solution*, up to 90% of sudden wealth is lost or misspent.

The experience of receiving sudden wealth has been described by some as waking up in a foreign land where everyone is speaking a language you don't understand. The feeling is that you need answers to questions for which you have no words.

Our goal is to answer the question, "*How can people prepare to be successful when they become suddenly wealthy?*"

There are three steps to a broader perspective.

- 1. Slow down.** Sudden wealth recipients experience a wide range of emotions.
- 2. Create a better life.** It takes a conscious and active effort to use your sudden wealth to create a better life.
- 3. Manage relationships.** Keep your relationships healthy and strong.

SLOWING DOWN means giving yourself time and space to ease into a new situation. Doing that allows you to get your bearings while the immediate impact fades. It allows the rational side of the brain to take over again. Thinking of the decisions as **red, yellow and green** is a simple technique to organize issues for you and your family.

Red decisions are the big ones. They may include whether you should quit your job, make a major purchase like a new car or a second house (“camps” as we say in New England), or even giving money to friends or family. We recommend taking a long view on red decisions by waiting at least 6 months to a year before leaping into any of these decisions.

Yellow decisions are often the result of questions including: should I take time off from work, travel, pay off all debts, or even talk to friends and family about your sudden wealth. We recommend waiting a month to 6 months before making any yellow decisions.

Green decisions should be made at the onset of receiving sudden wealth. They include hiring professional advisors, considering tax minimization strategies, doing basic estate planning, upgrading umbrella liability insurance policies and continuing to pay bills and live as normally as possible until making the yellow and red decisions in the future.

CREATE A BETTER LIFE. By this we mean using the sudden wealth to paint a future where you find success and “real returns” in all aspects of your life.

- ✓ **Invest in experiences.** Studies show that people get more joy from experiences than material things. This is because experiences are usually shared with others and connection is the greatest contributor to happiness.
- ✓ **Buy time.** Use your money to buy you more *time* instead of more *things* as it will have a greater impact on your overall satisfaction.

- ✓ **Have a mantra.** Have a mantra that keeps you focused and grounded. Having a money mantra means you have the words that describe how you want to “think” about your money and what having money means to you.
- ✓ **The Charter Oak “miracle” question.** In your mind’s eye, fast forward to five years from now and describe what needs to happen for you to feel fulfillment and that you have created the best life possible with your wealth.

MANAGE YOUR RELATIONSHIPS WITH YOURSELF AND OTHERS.

Sudden wealth has the potential to alter relationships in positive and negative ways. Sudden wealth can create stronger and better relationships with family and friends.

Sudden wealth can present challenges to relationships that create stress, envy, and a change in dynamics making old friends feel abandoned. They may think the money has made you out of touch with them and the “real problems” of the world.

Keep and grow your relationships by going slow. Phone a friend (one or two confidantes) using proactive communication and do not check out or isolate yourself. It’s okay to confess your fears. Get them out in the open. Focus on what you want for yourself and others, keep things in perspective.

It is okay to say no when asked for money by friends, family and particularly strangers. Create a formalized process for money requests. That means never saying yes to anyone on the spot. Create a canned response like, *“I can’t give you an answer this moment but let me talk to my advisors. We will get back to you with more questions.”*

Lastly, we recommend using the counsel of a team of skilled professionals. You may be making this journey for the first time in what seems like a foreign land with a new language and a new landscape to navigate. The good news is that skilled professionals such as advisors at Charter Oak have made the journey many, many times and can help guide you to making smart decisions with your new wealth.

Having information to make educated decisions will help you answer that Charter Oak “miracle” question: *“Fast forward 5 years from now. What needs to happen for you to feel fulfillment and that you have been able to create the best life possible with your wealth?”*

Charter Oak Capital Management is a registered investment advisor that provides retirement planning, financial planning and fee-based investment portfolio management to individuals and non-profit organizations. Our offices are located in Portland and Kennebunk, Maine and Portsmouth, New Hampshire.

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