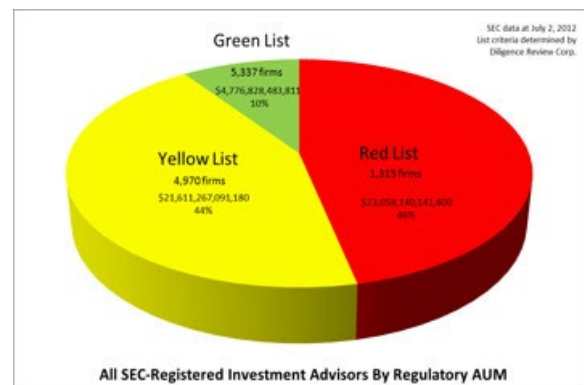


DON'T MAKE THESE COMMON SUDDEN WEALTH MISTAKES



1. **MAKING UNNECESSARY DECISIONS** - Depending on the type of sudden wealth event, there may only be a handful of decisions you need to make early on. [Work with your advisors to learn which tax, financial, and legal decisions you must make and which ones you can delay.](#) Bottom line, unless it is necessary, hold off on making a decision.
2. **SPENDING MONEY** - [There will be plenty of time to spend, but this is not that time.](#) You still need to know how much you will get after taxes and how much you can comfortably spend. If you are tempted, write it on your Wishlist.
3. **PROMISING ANYTHING OR MAKING COMMITMENTS** - If you just found out you will be receiving money, it is too early to make any financial or non-financial commitments. [Don't make promises or commitments to friends and family.](#) Again, it is too early to know what you have and what you can give.
4. **SHARING NEWS WITH OTHERS** - [Keep your sudden wealth situation private.](#) The fewer people who know the better. You'll get less unsolicited advice, and you won't feel the pressure from others. If possible, keep your [windfall](#) anonymous.
5. **RETREATING** - [While you don't want to broadcast your windfall to the world, you should avoid hiding.](#) Stay social and engage in the activities you've always enjoyed. This will help you stay grounded, and the social interactions will help ease the stress.
6. **SELF-MEDICATING WITH ALCOHOL/DRUGS**-- It's understandable that you want to take the edge off a situation that can be highly stressful -- and drinking or drugs will certainly do the trick -- but [overdoing drugs or alcohol will only make your situation worse.](#) There are many more healthful alternatives such as exercising, talking to friends, or participating in therapy that are more effective and that will set you up better for the later sudden wealth stages.

7. **SPEND TOO MUCH** - It may be incomprehensible for someone who was making \$50,000 a year to go broke after receiving a \$10 million windfall, but it happens. It might not disappear in a year or two but if the person is consistently making bad financial decisions, they can go through the money in less than a decade and much quicker if they also engage in one of the other sudden wealth sins below. [Get assistance to pace your spending.](#) [How can you avoid this fate? Go slow, work with experts, figure out how much you can spend, and then stay on track. If you still have problems, work with a therapist or money psychologist. The few hundred you spend learning about your triggers and underlying issues will be one of the best investments you could make.](#)
8. **GIVE TOO MUCH** - Sudden wealth recipients who spend too much on themselves will often give too much as well. When confronted with giving too much to family, one client confessed, “I feel guilty having this new house and stuff when the rest of my family is still struggling. I can’t enjoy what I have unless I give them what I have.” There are often familial pressures and hidden expectations to take care of the family that can weigh on the person. [Helping those in need and others to create a better life for themselves can be one of the most rewarding uses of your windfall, but there is a limit to what you can do.](#)
9. [Stick to a spending plan, help the right way, and stay on track with monthly reports. Work with your advisors to create a long-term and sustainable plan to assist your family. Have your advisors become involved in the discussions with your family, if necessary.](#)
10. **DIVORCE** - can wipe out 50% or more of your wealth overnight. Divorce is also one of the most common reasons why sudden wealth recipients lose their money. [Protect yourself with co-habitation, prenuptial, and postnuptial agreements.](#) Work with a family law attorney to ensure you have some protection against separation or divorce. (For more from this author, see: Inheritance Planning: How to Avoid Family Problems.)
11. **INVEST BADLY** -- A common and large source of loss for sudden wealth recipients is making bad investment decisions. Many smart people have made bad decisions and have invested too much of their sudden wealth in red investments. Avoid these and stick to mostly green and occasionally some yellow investments. [Work closely with your advisors to review each investment – especially those that are yellow or red categories.](#)



- 12. FRAUD** -- The Bernie [Madoff Ponzi](#) scheme proved that you cannot trust anyone. Madoff was a highly respected investor and was once chairman of the Nasdaq stock market. [The onus is on you to create a system of checks and balances to protect your money.](#) Follow the guidelines in Sudden Wealth Principle 10 as a starting point. Also, never invest in a company or venture your advisor recommends in which he is also involved.
- 13. LAWSUIT** -- In an instant, all your assets could be in jeopardy if they are not protected. Lawsuits are all too common, especially for people who have wealth. Your sudden wealth makes you a larger and more visible target. [Work with an asset protection attorney to shield your assets from creditors and lawsuits.](#)
- 14. TRUSTING TOO EASILY** -- Those who come into sudden wealth, such as an inheritance, lottery win, legal settlement, or sudden fame, but haven't been trained to manage their money, can find themselves particularly vulnerable to bad investment opportunities. [Work with professionals for investment guidance.](#)
- 15. SEEKING COMFORT, NOT FREEDOM** -- Comfort is the enemy of abundance and the most dangerous element of finances. The entire middle class is built on seeking comfort. The wealthy seek freedom and so much abundance that money is no longer dependent on their efforts. More is the mantra, abundance is the affirmation, comfort isn't on their menu and freedom is the focus. [Need a clear point](#)
- 16. DEPENDING ON ONE INCOME FLOW** No matter how big your income is, never depend on one flow. I knew an executive who was earning \$350,000 a year, the top 1 percent of all incomes. Suddenly the industry she worked in came to halt and her one income flow was shut down. This has happened to many Americans, destroying trillions of dollars of "pretended" wealth.
- 17.** [To create wealth, you must make investments that will create dependable streams of income flows, independent of your main source of income. I use rental income from apartments and partnerships in other companies to throw off passive flows of income. I continue to pay attention to each of these flows to make them stronger. This is not diversification -- it's fortification of wealth.](#)
- 18. INVESTING IN TRENDS** -- [Avoid investing in the latest and greatest technologies that can be displaced by new technological developments.](#) Don't get on the roller coaster. Take the longer, slower ride that guarantees arrival.
- 19. TRUSTING WITHOUT PROOF** The single biggest mistake of my financial life was naïvely trusting a group of people because I liked them, and it felt right. I neglected to get proof

that they were actually as they presented. Instead, I went with my feelings and was deceived. By the time I figured out something was wrong, I was out millions.

20. [Disregard your feelings when it comes to people and always look for solid evidence. If you are so close to people that you are not willing to ask them to provide evidence, make it a policy not to do business with them.](#)

21. **PRETENDER SPENDER.** On the other end of the spectrum is the pretender spender. They try to impress others with how they spend money. It's not their money, it is always someone else's. Sports cars, expensive clothes, designer bags, shoes, V.I.P. tables -- the list is endless.

22. [The wealthy are not trying to impress anyone, they are seeking freedom.](#)

23. When the wealthy hit affluence and abundance, they start throwing money around on ridiculous things -- cars, boats, planes, vacation homes. By then, it no longer matters that the things are poor investments. The very wealthy may appear to be flaunting their money with extravagances, **but, they** are not. The money they are spending is miniscule compared to the abundance they've created.

SUDDEN WEALTH can provide an amazing opportunity to create a better life for yourself and others. To best do that, set yourself up for success by making this stressful process a little easier. Breathe, slow down, and avoid these common sudden wealth mistakes.