2023 · WHAT ISSUES SHOULD I CONSIDER IF I EXPERIENCE A SUDDEN WEALTH EVENT?

Collective Wealth PLANNING

CASH FLOW ISSUES	YES	NO
Do you need to set aside cash or make a plan to fund any income tax liability that may result from the wealth event?	☐	☐
Do you plan to make any large expenditures in the near term? If so, consider holding adequate cash to fund the upcoming expenses.	☐	☐
Do you need to revisit your routine spending habits?	☐	☐
Are you able to save more? If so, reference "What Accounts Should I Consider If I Want To Save More?" checklist.	☐	☐
Will the increase in wealth affect any regular expenses that are tied to your income (e.g., tax, financial aid, student loans, Medicare costs)?	☐	☐

ASSET & DEBT ISSUES	YES	NO
Did you receive illiquid assets (e.g., notes, real estate, or interests in a private company)? If so, consider how to manage the assets and potential strategies for divestment and diversification.	☐	☐
Did you receive cash? If so, consider how much you are willing to invest for long-term growth, and establish a sound investment strategy. Reference the "What Issues Should I Consider When Reviewing My Investments?" checklist.	☐	☐
Does the wealth event have a foreign source? If so, consider what reporting requirements must be met and additional tax obligations, etc.	☐	☐
Are there any conditions that must be met to keep the new financial interests? (continue on next column)	☐	☐

ASSET & DEBT ISSUES (CONTINUED)	YES	NO
Do you have debts? If so, consider the following: ■ If you have credit card debt, pay off balances, prioritizing cards with higher interest rates. ■ If you have student loans, analyze your repayment options and the effect of paying off your balances in a lump sum. Reference the "What Issues Should I Consider When Paying Off My Student Loans?" checklist. ■ If you have a mortgage, compare the merits of paying it off in a lump sum, making increased monthly payments, or maintaining the status quo.	☐	☐
Did you receive a gift or inheritance of non-cash assets? If so, understand the cost basis of the assets in your hands and the future tax consequences.	☐	☐
Have you made loans to family members? If so, consider the gift and income tax consequences associated with any forgiveness of payments or the loan balance.	☐	☐

INSURANCE PLANNING ISSUES	YES	NO
Have your life insurance needs changed? If so, consider the following: ■ If you put policies in place to replace your income or eliminate debt in the event of your untimely death, review how your newly-acquired assets might reduce these needs. ■ If your increase in net worth exposes you to federal and/or state estate taxation, explore using life insurance to fund your tax liability if your estate is illiquid.	☐	☐
Does your wealth increase your exposure to lawsuits? If so, consider additional umbrella insurance protection.	☐	☐

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TAX PLANNING ISSUES	YES	NO
Are you able to control the timing and terms of the wealth event? If so, review your payout options and consider booking transactions strategically across tax years to minimize the tax liability.	☐	☐
Will the wealth event have ordinary income tax character and consequences (e.g., inherited traditional IRA RMDs, bonuses, severance pay, certain settlements)? If so, consider the following: ■ If tax isn't withheld, reserve adequate cash to pay income tax, and make estimated payments, if necessary. ■ If you are on Medicare and the income increases your MAGI above $97,000 ($194,000 if MFJ), you may become subject to Part B and Part D surcharges in two years. ■ If you have net investment income and the income increases your MAGI above $200,000 ($250,000 if MFJ), you may become subject to the NIIT.	☐	☐
Will the wealth event have capital gains tax character and consequences? If so, understand what capital gains rate applies to you, and consider harvesting losses to offset gains.	☐	☐
Do you want to reduce your taxable income to minimize tax and stay below certain thresholds? If so, consider maximizing pre-tax contributions to retirement plans, contributing to an FSA and HSA, and making deductible charitable gifts.	☐	☐

LONG-TERM PLANNING ISSUES	YES	NO
Is the wealth event significant enough to dramatically impact your financial position? If so, consider the following: ■ Reevaluate your overall financial plan in light of your change in circumstances. ■ Make appropriate adjustments to your objectives, risk tolerance, time horizon, etc. ■ Adopt wealth preservation strategies that are tailored to your new situation. (continue on next column)	☐	☐

LONG-TERM PLANNING ISSUES (CONTINUED)	YES	NO
Do you have children/grandchildren that will pursue higher education? If so, consider funding 529 accounts or an education trust to save for future educational expenses. See the "What Issues Should I Consider To Fund My Child's Education?" checklist.	☐	☐
Do you need to review and/or revise your estate plan? If so, provide your updated financial information to your attorney, and plan for the disposition and possible taxation of your estate at your death.	☐	☐
Do you want to make gifts to your family and friends? If so, gifts up to the annual exclusion amount of $17,000 (per year, per donee) are gift tax-free.	☐	☐
Are you charitably inclined? If so, the tax year of the wealth event might be a good time to make a large charitable gift. Direct gifts to charities or a donor advised fund or advanced strategies such as charitable trusts and private foundations can reduce your income tax liability and fulfill your philanthropic goals.	☐	☐

OTHER ISSUES	YES	NO
Will your good fortune be publicized? If so, consider the following: ■ If you won the lottery, you may be able to protect your privacy by claiming the winnings through an entity (e.g., a partnership or trust). Rules vary by state. ■ You may be a target for fraud and scams. ■ Be prepared to address requests from friends and family members for financial assistance.	☐	☐
Do you need to increase protective measures? If so, consider whether physical or cyber security measures are warranted.	☐	☐
Are there state-specific issues that should be considered?	☐	☐

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