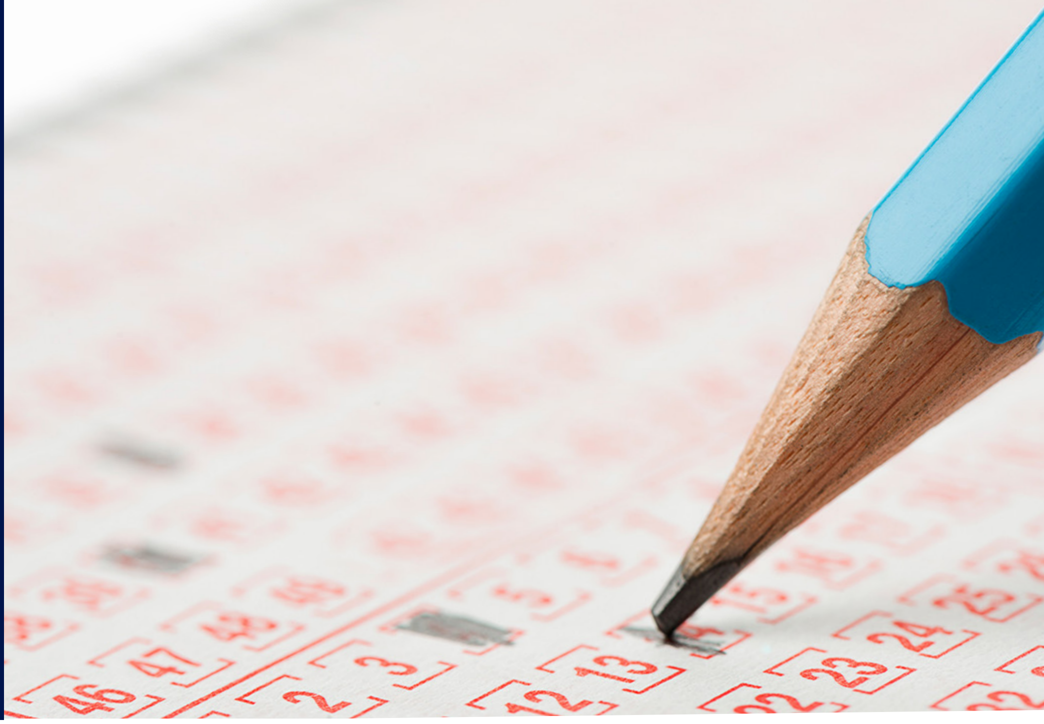
SHOULD YOU PLAY THE LOTTERY?

Think twice: Your odds of hitting it big are fairly long.



NO ONE WOULD ARGUE THAT PLAYING THE LOTTERY IS A FINANCIALLY SECURE PROPOSITION. THE ODDS ARE LONG—VERY LONG. HOW LONG? AT LEAST 1 IN 200 MILLION, WHEN IT COMES TO A STATE POWERBALL. TO GIVE YOU SOME PERSPECTIVE:

- You're 100 times more likely to be struck by lightning.
- You're 50 times more likely to die by a venomous animal or plant.
- You're 20 times more likely to be struck by airplane debris falling from the sky.

Despite those odds, millions of people play the lottery each week, many looking for that Golden Ticket that will put them on easy street and help them pay off their debts, purchase a house, retire ... You get the idea. Adults who play the lottery—which is up to half of all Americans—spend an average of $1,000 per year on tickets.

If you must play ... and you win!

If you decide to play the lottery and hit the jackpot, consider consulting with an attorney—before you even claim your prize. The attorney may recommend that you place your ticket in a trust or some other estate planning vehicle, especially if you intend to share the prize among a group of people.

You may need to consider the implications of choosing a lump sum payment or spreading your winnings over a number of years, if an option. If you select the one-time payment, the amount is lower than the aggregate of the annuity payments and reflects the "present value" of those payments.

While the lump-sum option is therefore a lower amount on paper, it provides you with some financial flexibility, like investing in high-yield potential financial options, such as real estate.

On the other hand, spreading out your payments can lower your risk of squandering your winnings all at once. The unwitting investor, for instance, might be overzealous and purchase a large (but risky) investment, only to lose it when the market turns. But if you receive annual payments for 20 or 30 years, even if your investments over one year are unsuccessful, you'll still receive another payout the following year.

After claiming your prize, consider visiting a financial professional. Winning millions will instantly boost the size of your estate, and you'll want this to be reflected in your estate plan. For instance, if you intend to share your winnings with your children (and their children), there are important tax planning steps that you can take to minimize your tax burden.

Invest rather than play

Rather than spend money on lottery tickets, what would happen if you invested it instead? For example, if you've been spending $5 on tickets each week ($260 per year)—but instead allocated that money to an IRA, here is what you could realize, assuming an annual return of 4%*:

- After 30 years, whereas you would have spent $7,800 in lottery tickets (assuming you did not win), your IRA balance would top $15,000.
- After 40 years, your lottery tab would be $10,400, whereas your IRA would top $25,000.

Again, there is no guarantee of what your IRA balance could be, that is assuming a modest 4% return.

So, which is it? Lottery? Or investing? Just understand the risks and potential rewards of both before making your decision.

*This is a hypothetical example and is not representative of any specific situation. Your results will vary. The hypothetical rates of return used do not reflect the deduction of fees and charges inherent to investing.