progressive strategies FINANCIAL GROUP

THE WHITE PAPER

Strategies for Managing Your Assets

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Tori Patrick
President
Progressive Strategies Financial Group
27201 Puerta Real Suite 300
Mission Viejo, CA 92691
949.204.3800 702.893.1500
Fax: 702.549.1900
Tori@psfgwealth.com
www.psfgwealth.com
CA Insurance Lic# OJ13973

A Tale of Two Windfalls

Where has all the money gone? That's not a question you want to be asking after you've received a windfall. But, for many people who unexpectedly come into a lot of money, it's a question that's all too common.

Sudden wealth can be overwhelming if you're not prepared for it. Knowing what to do -- and what not to do -- can mean the difference between hanging onto your wealth and watching it disappear.

A Windfall Gone Wrong[1]

Take the Smiths, for instance. As primary beneficiary of a life insurance policy, Mr. Smith received a large cash payout when his uncle died. But instead of first coming up with a sensible financial plan, the Smiths began spending the money. They bought expensive cars and took several long trips. They gave money to their children and their favorite charities without considering the tax implications. And they invested unwisely, failing to take into account their risk tolerance and tax situation.

Because the Smiths didn't take steps to preserve their wealth, they ended up with only a fraction of the proceeds they originally received. Prudent planning could have helped them reach all their goals, with enough cash left over to treat themselves to some luxuries.

The Right Approach

Meet the Joneses. They came into significant wealth when Mrs. Jones received a large inheritance from her mother. Since she was familiar with her mother's estate plan, Mrs. Jones had already thought about how she might preserve the assets once they passed to her.

The first thing the Joneses did was to put the inheritance in a money market mutual fund, where it earned interest, was relatively safe, and was still easily accessible when they needed it.[2] Parking the money temporarily in a low-risk investment gave them time to discuss strategies with their financial and tax professionals.

Time for a Review

The Joneses met with their financial professional for a comprehensive review of their finances. With their financial professional's help, they created a net worth statement that included the assets from the inheritance. This gave them a clear picture of their overall financial situation and helped them determine the best way to handle their windfall. At that point, they decided to move the money into a broader range of investments.

New Goals to Plan For

Newly acquired wealth didn't change the Joneses' current goals -- like saving for retirement and their children's education -- but it did present an opportunity to add new goals. For example, the Joneses wanted to give more money to charitable causes. They also wanted to leave some of their assets to future generations. Trusts, lifetime gifts, and other estate-planning strategies helped the Joneses minimize the potential estate-tax consequences of passing wealth to their family and other beneficiaries.

By defining their goals, the Joneses were able to take the necessary steps to reach them -- and preserve their wealth in the process.

[1]*The Smiths and the Joneses are fictitious families in hypothetical situations.*

[2]*An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund.*

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