The 'burden' of money

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On a regular basis, situations arise in which my clients are faced with the "new" responsibility of making investment decisions.

This can happen for many different reasons. Often it is a situation in which money has been inherited — a 401(k) rollover, exercised stock options, proceeds from a lawsuit and even the lottery.

A surviving spouse also might face this challenge when faced with the "new" responsibility of making the financial decisions. Although the reasons may vary in the creation of these situations, the impact it has on a person is typically the same — a great deal of anxiety.

A person goes from one day of not having any major financial decisions other than maybe the monthly bills to the next with the overwhelming burden of caring for the new financial responsibility.

Possible life-altering financial decisions need to be made, and the reaction to this new responsibility is not much different from the feelings and emotions parents experience with their first newborn: "I don't want to make a mistake." Both situations can cause loss of sleep, irritability, anxiety, indecision and an overall sense of confusion.

New parents typically have the advantage of knowing this burden is coming and have time to prepare, as do clients in most situations. In both cases, the moment of "arrival" can be overwhelming.

In some cases though, particularly when the beneficiaries of an inheritance are not aware of the inherited amount or a sudden death of a spouse, it can be extremely emotional and challenging.

Even when it is known ahead of time, this can be somewhat intimidating for a person who has not managed large lump sums of money previously or made major financial decisions. I have seen emotions run the full spectrum in these situations — giddiness, bewilderment, crying, hyperventilation and denial.

All these emotions are completely normal. The important thing to do in these situations is to take a step back and identify your priorities and determine your biggest fear concerning the money.

Again, people fear making a mistake. Because this often is the primary thought, they tend to avoid making decisions and can sometimes become paralyzed when faced with this new burden.

Honestly, as long as taxes are paid in a timely manner, along with the monthly bills, this approach is acceptable for a while, provided it is not neglected for an extended period of time.

Things to remember during the process that will help alleviate the new burden:

Slow down — Other than the payment of any taxes and monthly expenses, do not allow yourself, or others, to force deadlines upon you for decisions. The only decisions that must be made are ones that have legal deadlines.

Most long-term financial decisions do not carry a sense of urgency. As with a newborn, crawl first before you start walking.

Identify any possible tax ramifications you may face with your decisions — This includes potential estate and income taxes, including distributions from retirement plans, annuities, trusts and other asset sales that may create a taxable event.

Gather all relevant information before taking any distributions or selling any assets.

Analyze your current financial situation — Evaluate your debts and monthly cash-flow needs. Take inventory of your:

- Checking account
- Rainy day emergency account
- Investment/retirement accounts

Become familiar with your monthly expenses, income and overall budget. Understand the implications when selling an asset or spending money.

Where did the money come from? Was it investment income, principal, paycheck or pension?

Get comfortable — The eventual goal in any financial situation is to become comfortable and not allow the new burden of responsibility to control your emotions and day-to-day life. If the situation allows you to do so in advance, educate yourself on your options.

- Interview professionals in the legal, investment and tax areas.
- Make a list of questions and concerns and share it with your advisers.
- Create a plan by identifying your income needs, return and risk expectations, along with a wish list of things you would like to do in the future. What are your priorities?

Take the next step — Implement your plan at your own pace. Ask for help and guidance and don't attempt to make all the decisions at once. Missing an opportunity is more prudent than wishing you could retract a long-term financial decision.

Does the new financial situation allow you to do some things you have always considered, but never were able to do? Possibilities include funding a retirement account, taking a trip with your family and running your own business, along with countless others. These are all "investments," but their purpose varies as does the type of return.

Matching your priorities along with realistic expectations will lessen the overall burden of any new financial situation.

The goal is to manage your new financial situation in a way that allows it to become an ally and positive resource — not a burden.