

Is a Cash Windfall in Your Future?

Debra Taylor, CPA/PFS, JD, CDFIA

Wealth Advisor

Taylor Financial Group, LLC

795 Franklin ave
Bldg. C, Suite 202
Franklin Lakes, NJ 07417

(201) 891-1130

office@taylorfinancialgroup.com
www.taylorfinancialgroup.com



–Elaine Floyd, CFP®

It might look like “sudden money,” but cash windfalls are often easy to spot – sometimes years ahead of time – if you know where and how

Never is financial advice more urgently needed than when you come into a large amount of cash.

Complacency is no longer an option when you look at a check with several commas and realize that depositing it into an existing checking or savings account must be a temporary measure only. The opportunity cost on such a large amount of money earning zero or low interest could amount to hundreds of dollars per day, leading to the urgent question “What shall I do with this?”

First up are the tax ramifications of the liquidity event itself. If the cash came from the sale of a major asset, for example, how much should be held out for taxes? And where can that money go now to earn a little interest before it must be withdrawn to pay Uncle Sam?

Besides that, is there anything that can be done to reduce the tax bite? It may be too late to change the terms of this sale, but a savvy tax professional may be able to suggest other strategies and transactions that can reduce the overall liability.

Most important are the investment considerations for the funds that remain after paying taxes and

other obligations. In some cases — such as divorce or inheritance — the receipt of a large amount of cash represents the opportunity of a lifetime. It could be your chance to establish a firm financial footing and develop a long-term plan for financial security.

Anticipate the future

To help you avoid a panicked feeling when facing a sudden cash windfall, do something proactive. Don’t wait for possible liquidity events. Begin preparing early, if possible, so that if and when the money arrives, it will be a simple matter of executing the plan you have already formulated.

To get in front of any future cash windfalls, review your financial situation and the pending disposition of your various assets. The handy checklist on the next page can help.

As you run down the list, consider whether this event or something similar is a possibility, when it would likely happen, the dollar amount of the cash becoming available, and any potential uses for the funds.

Future Liquidity Events			
Possible event	Approximate Date	Approximate Amount	Potential Use of Funds
CDs or bonds maturing			
Sale of business			
Commercial property sale			
Other property sale			
Stock options			
Severance package			
Divorce settlement			
Legal settlement			
Trust distributions			
Rollovers			

Potential uses may include:

- Spending decisions – college, vacation, home remodel
- Investment decisions – buy another piece of property, business
- Philanthropic decisions – community foundation, gifts, trusts
- Uncertainty – you have no idea what to do with this money

Of course, as the liquidity event nears, you and your advisors will discuss in more detail how to handle the disposition of the asset(s) and their proceeds, but it is always prudent to identify in advance any “sudden money” possibilities and establish a plan for successfully achieving your long-term objectives.

Elaine Floyd, CFP®, is the Director of Retirement and Life Planning, Horseshmouth, LLC., where she focuses on helping people understand the practical and technical aspects of retirement income planning.

Securities offered through Cetera Advisor Networks LLC, Member FINRA/SIPC. Investment advisory services offered through CWM, LLC, an SEC Registered Investment Advisor. Cetera Advisor Networks LLC is under separate ownership from any other named entity. Carson Partners, a division of CWM, LLC, is a nationwide partnership of advisors.

Elaine Floyd is not affiliated with Cetera Advisor Networks LLC, CWM, LLC or its representatives.