



## Carlson Advisors

A financial advisory practice of  
Ameriprise Financial Services, Inc.

### What Should You Do with an Inheritance? Here's a 5-Step Plan

Over the next 30 years, in what is anticipated to be the largest wealth transfer in American history, an estimated \$30 trillion is expected to be passed from baby boomers to their children and grandchildren.<sup>1</sup> While the size of inheritances will vary, 53 percent of Americans between ages 25-70 who expect to receive assets are anticipating it to be more than \$100,000, according to recent research from Ameriprise Financial.<sup>2</sup> No matter the size of the assets, managing an inheritance can be emotional and overwhelming as the recipient deals with the loss of a loved one.

If you have received or expect to receive an inheritance, the following five-step strategy can help you decide how to manage and spend the newfound assets:

#### 1. Don't make rash decisions

You may be tempted to buy the luxury car you've always wanted, take a dream vacation or quit your job. While any of these goals may be possible depending on the size of inheritance you receive, none of them should happen without careful planning. Give yourself time to work through the logistics of receiving the inheritance before deciding how to allocate the money.

#### 2. Understand what you have or will receive

Inheritances can come in many forms, so it's important to understand what type of assets you will receive and their estimated value. You may inherit cash, but it is also common for a loved one to gift securities (stocks and bonds), retirement plan savings, real estate, life insurance or other types of assets. Certain assets, such as retirement accounts, may allow you to receive payments over time rather than taking control of the money all at once. Your loved one may have specified in a will or in trust documents how the money will be dispersed. In the absence of instructions, you may be able to choose how you'd like to receive the money.

#### 3. Understand the tax implications

Tax consequences can vary dramatically depending on the type and amount of the assets you inherit. For example, if you receive stock (in a non-retirement account) that your loved one owned for a long time, you can take advantage of a step-up in cost basis. That means when you decide to sell the stock, any capital gains (and tax you owe on those gains) will generally be determined based on the value of the stock on the date the decedent passed away, not when it was originally purchased. Be sure to consult with a tax advisor to clarify any tax implications from your inheritance.

#### 4. Update your insurance and estate plans

Insurance and estate planning needs will likely arise as a result of your added wealth. Consider meeting with a financial advisor and an attorney right away to sort out what actions you may need to take.

Common steps after receiving an inheritance include updating your will to reflect any changed wishes or creating an estate plan if you don't have one; assigning beneficiaries to newly received accounts; and potentially purchasing additional insurance to cover certain inherited assets.

## **5. Decide how to save – or spend – the money**

Think about your financial goals and how these newfound assets could help make one or more of them a reality. Even a modest inheritance can make a meaningful difference in helping you save enough for a child or grandchild's college education, pay off a home mortgage, retire when you want to, or achieve another important milestone. If you inherited from a loved one or close friend, you may want to consider how to honor his or her legacy with a charitable gift.

There is no question that an inheritance can represent a significant new opportunity in your financial life. Taking a prudent, thoughtful approach can help preserve your wealth, add to your sense of financial security and open doors to pursue your most important dreams and goals.

<sup>1</sup> – Malito, Alessandra. "America's trillion-dollar wealth transfer: How to prevent a generation of entitlement," MarketWatch, April 30, 2017. <https://www.marketwatch.com/story/americas-trillion-dollar-wealth-transfer-how-to-prevent-a-generation-of-entitlement-2017-04-25>.

<sup>2</sup> - The Family Wealth Checkup study was created by Ameriprise Financial, Inc. and conducted online by Artemis Strategy Group November 23 – December 15, 2016 among 2,700 U.S. adults between the ages of 25-70 with at least \$25,000 in investable assets. For further information and details about the study, including verification of data that may not be published as part of this report, please contact Ameriprise Financial or go to [Ameriprise.com/familywealth](http://Ameriprise.com/familywealth).

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