

## What to do when you win the lottery

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(Look for **Keith Fenstad's** comments highlighted in yellow)



### Life-altering sums

Wednesday's Powerball jackpot of \$448 million, the fourth-largest lotto jackpot ever, will be split by the holders of three lucky tickets, two in New Jersey and one in Minnesota.

A single winner would have taken home more than \$250 million—a point that underscores the magnitude of recent lottery jackpots.

Since March 2012, when a record-setting \$656 million Mega Millions jackpot was awarded, the U.S. has awarded four of the largest lottery prizes ever. One reason for the life-altering jackpots has been a boost in [Powerball](#) ticket prizes, which has sweetened the pot considerably.

Payouts of this size are rewriting the conventional financial wisdom about how the lucky winners can best handle their good fortune, from tax advice to the shape of their reconfigured lives. "Buy that Rolls and save the rest" has become "Lawyer up and start a foundation."



### Protect your ticket

Sign your winning ticket, make copies of it and stash the original in a safe-deposit box. If you are separated from the ticket, your signature should ensure you won't be separated from the prize. The safe-deposit box will help ensure you're not separated from it.



### Get help before you claim the prize

You'll have three months (in most states) to come forward with your winning ticket. You likely won't be able to keep your secret under your hat for that long, but before identifying yourself, assemble a team consisting of a financial planner, an accountant and a lawyer, with the lawyer being your first call. Lottery winners are often subject to legal claims out of left field, sometimes from co-workers who went in (or declined to go in) on a pool ticket.



## Stay anonymous, if possible

Another reason to hire a lawyer first is for help creating an entity, such as a revocable living trust or a family limited partnership that masks your personal identity.

"Anonymity gets a lot of the initial fanfare out of your face," said Keith Fenstad, director of financial planning at Tanglewood Wealth Management in Houston.

In many states, however, winners are required to divulge their names for publicity purposes. If you have to ID yourself, change your phone to an unlisted number to avoid calls from scammers and "friends" who surface to make special pleas. You may consider moving to an undisclosed location, even temporarily, to avoid the crush of the press.

## Take the lump sum

Winners must choose whether to receive 30 annual allotments or a single payment, a choice that's often made based on the tax ramifications. But since taxes are likely to be going up, it's better to have even a lesser amount taxed at lower rates—and your annual payments are going to take a tax hit anyway.

More pertinent is your age. The biggest payout to a single Powerball winner occurred in May, when [an 84-year-old widow](#) from Florida took her \$370 million pretax payout at once.

"It's more of a personal question than [a tax question](#)," said Peggy Johnson, a CPA based in Broken Arrow, Okla., who points out winners of big jackpots will be in the highest bracket either way. "If you're a wise investor, it makes sense to take it all at once."



## Take a breath

Give yourself time to emotionally and mentally digest what the money means to you. The biggest financial threat lottery winners face is the temptation to reward themselves with cars, boats and extra homes. Until the thrill of winning passes, experts advise, stick the money in a low-risk interest-bearing account, where it will start to accrue immediate profit. Meantime, spend a few days figuring out how many Ferraris you really need.

## Pay off your debts

Tales of lottery winners who are broke today are often about those who won \$5 million or less, not \$250 million.

"You can't give that much money away," Fenstad said, pointing out that the first \$5.25 million you give your brother-in-law is free; the next \$5 million will be subject to a 45 percent federal tax.

But let's say you squandered your Powerball haul on bad investments. You don't want to have blown \$175 million and still owe anything on your car loan.





### Set a budget

Conservatively speaking, a \$250 million lump-sum payout, placed in diversified mutual funds and bonds, should generate some \$4 million a year after taxes.

Consider setting an amount in this range as your annual budget, Fenstad suggested, leaving the principal as a backstop and the basis for wealth across generations. The pleasure of spending diminishes over time, after all. The pleasure of having it doesn't.



### Name your charity

Eventually, experts say, someone sitting on multiple hundreds of millions starts to think of their legacy—and ways to reduce the taxes now, and on their survivors when they go.

"Charitable giving would likely become a big part of your life," said Fenstad of the lottery winner.