

Reaped a windfall? Let pros help you invest it

Your suddenly-acquired wealth may disappear as fast as it came unless you seek professional and unbiased advice, says **Prashant Mahesh**

WEALTHY & WISE

Managing a windfall gain

► Dos ►►

- Think for 3-6 months before deciding what to do with that money
- Consult an independent advisor
- Prepay costly loans
- Do an asset allocation for yourself

► Don'ts ►►

- Don't take irrational or impulsive decisions
- Do not merely rely on friends and relatives for advice
- Don't splurge
- Don't invest the entire money in a single asset



REAL ESTATE SALE

LOTTERY

Some reasons for sudden money

RETIREMENT

STOCK OPTION



SARPARAZ

WHO doesn't dream of winning a one-crore lottery, or fantasise inheriting a fortune from a long lost uncle, or of making a killing from stock options?

Well, suppose you do realise your dream, have you really thought about managing this money? Managing a windfall, though highly desirable, is not an easy task, say financial planners. In fact, the Sudden Money Institute, based in Florida, specialises in offering advice on managing windfall gains. In India too, financial planners are specialising to offer you advice on such occasions.

"One must realise that there is an emotional change and it is very important for the person to stabilise before taking a decision on spending the wealth," says Zankhana Shah, a Mumbai-based financial planner. So for anyone coming into a big inheritance, she advises completing the paper work immediately, but delaying the spending or investing. One could listen to the choices, but have a waiting period. So till you decide about the same, stash the money in a fixed deposit for 3-6 months. The idea is to buy time, so that one does not get emotional and end up spending the entire money. This time will

help you listen to ideas and take rational decisions. "It is very important that one takes professional and unbiased help and not just rely on family and friends," says the head of wealth management at a foreign bank.

Once the person stabilises, he could think of how to go about utilising the money. "Do spend to have a nice life, but at the same time invest at least half the money to meet your long-term goals," says Amit Suri, a Delhi-based financial planner. This money so invested could help you a long way in maintaining your lifestyle which changes, post the windfall gain. Put simply, if you save Rs 50 lakh on a lottery of a crore, and you earn 8% interest per annum, that could mean an annual inflow of Rs 4 lakh or Rs 35,000 per month. However, you must also realise your dreams, as this is an opportune moment.

So if you have always wanted to go on a world tour, then definitely this is the time to fulfil that long-cherished dream. But besides this, do a little introspection on your own balance sheet. Did you take a personal loan or is there any outstanding on your credit card? If you have any credit card dues or a personal loan outstanding, it may make sense to repay that off

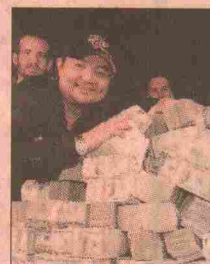
immediately. Think of lowering your housing loan burden if it is heavy and does not involve penal clauses. Remember, the more you prepay and reduce your debt, the lower will be your interest burden.

If you have not been able to build that emergency fund, this may well be the time to build one. An emergency fund, could help you take care of your finances in case of an accident or a job loss. So allocate some money to that fund. Of course, financial planners do advise that individuals set up an asset allocation, where they can decide on how much of their money should go in equities, debt and real estate. Here too, the balance money could form a part of your normal asset allocation.

So if you have 60% of your funds in equity, 30% in debt and 10% in real estate, the balance money could be used, using that principle.

It is very important to set percentages based on your priorities and your financial position. You could spend say 20% on your dream, 10% in emergency funds, 30% in debt retirement and say, the balance 40% in investments, as per your asset allocation. This will help further your financial goals.

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MONEY TREE

The money invested can help you a long way in maintaining your lifestyle which changes, post the windfall gain

It is necessary to create an emergency fund that will take care of your finances in case of an accident or a job loss