

# I Became a Millionaire Overnight, What Do I Do Now?

How not to go from riches to rags.

WORDS BY JON C. ULLOA



**Jon C. Ulloa**  
Financial  
Advisor, Asia  
Pacific Financial  
Management  
Group

Jon C. Ulloa has been a Financial Advisor at Asia Pacific Financial Management Group since 2012. He specializes in Business Retirement Plans for companies and business owners. Contact Jon at 472-6400 (office), or [julloa@fmgguam.com](mailto:julloa@fmgguam.com).

**NINETEEN-YEAR-OLD UCLA** basketball star Lonzo Ball was selected by the Los Angeles Lakers as the 2nd overall pick in this year's NBA draft. He effectively went from a college student to a multi-millionaire.

Countless sports stars from low- to middle-income households dunk and quarterback their way to riches. Yet according to *Sports Illustrated*, 78% of former NFL players have gone bankrupt, and an estimated 60% of former NBA players go broke within five years of retirement.

This problem is not exclusive to star athletes. About 70% of people who suddenly receive a windfall of cash will lose it within a few years (source: National Endowment for Financial Education). Common types of windfalls include inheriting money, insurance payouts, and selling property or a business. Legal settlements, lottery winnings, and lump-sum retirement are others.

If you suddenly wake up "rich," how will you navigate the new opportunities and risks?

## Money Team

The first thing you need to do with your money is...wait for it...nothing. No trips. No Ferraris. No ordering everything on your Amazon wish list. Instead, assemble a Money Team: CPA, attorneys, and a financial advisor. Pro tip: Authorize each advisor to plan together so that everyone's advice is in sync.

## Death by Taxes

One of the first consequences of a lump-sum windfall is taxes. Personal income tax rates climb as high as nearly 40%, so a one-million-dollar payday will dwindle down to around \$600,000. Ouch. Your CPA's goal is to minimize taxes so you keep as much as possible. Pro tip: Eventually you might want to invest in real estate, retirement or start a business. Personal and business tax planning will be essential when you do.

## Lawyer Up

Consult with several attorneys depending on the area of law. Divorced or divorcing? You need to know how this affects alimony, community property, and dividing assets. S-corps, C-corps, LLC's, or sole proprietorships all have advantages and disadvantages for ownership structure, taxes, and liability. Hire an attorney who specializes in business formation. Leaving money to loved ones? An estate-planning attorney will protect your assets from taxes and misuse with a will and trust.

## Debt Be Gone

Your Money Team will guide you through smartly becoming debt free. Zero out those credit cards and be free of obscene interest rates. Pay off unforgiving student loans. All vehicles should be paid off as well. Depending on your cash flow and tax situation, consider paying off your home mortgage. Pro tip: Absolutely no shopping or investing until you've

paid off all your debts. If you somehow manage to squander all of your windfall, you will at least emerge debt free.

## Financial Advisor

Getting your financial house in order requires a foundation and a financial advisor. Implement a realistic budget for your existing lifestyle. Next, learn the ins and outs, the risks and rewards of retirement planning, life insurance strategies, college savings, and other investing for your new lifestyle. Pro tip: Start small as a novice investor or new entrepreneur. Better to make a rookie mistake with a fraction of your inheritance than to lose it all on the first try.

## Family & Friends

Prepare for the onslaught of guilt trips, "guaranteed" business ideas, and "borrow me fan I'll pay you back." Even with good intentions on both sides, you won't be immune if things go awry, which they often do. Pro tip: If you must say "yes" to a loved one hitting you up for dough, only do so after your Money Team's strategies are in place. Some would prefer treating the transaction like a business deal, or a bank loan by spelling out all terms in writing.

## Risky Business

You finally have the money to pursue your dream business. Whether you are a working owner or passive investor sitting on the sidelines, know your stuff. What starts off as a promising venture can easily turn into a money pit of expenses, debts, or worse: liability. What if you get sued for fraud, or ownership control of the business? What if there's an accident or injury and your business is at fault? Pro tip: If it's your first dip in the entrepreneurial swimming pool, talk to the UOG Pacific Islands Small Business Development Center Network (<http://www.pacificsbdc.com/>) for advice on everything from business plans to financing. 🍀

DISCLAIMER: All investments involve risks, including possible loss of principal. Investors should carefully consider plan investment goals, risks, charges, and expenses before investing.

SOURCES: Worthwhile, a quarterly periodical for Raymond James clients: "Riding the Wave of Sudden Wealth", Spring 2017 | <http://www.nba.com/draft/board> | <https://www.si.com/vault/2009/03/23/105789480/how-and-why-athletes-go-broke#> <http://www.registrar.ucla.edu/Calendars/Term-Calendar/Spring-Quarter-2017-Calendar> <http://time.com/4176128/powerball-jackpot-lottery-winners/>