

## Using Resources and References

If you are suspicious of an investment, or advice you received, be sure to contact the Missouri Securities Division. Please don't hesitate to use some or all of the resources below that provide information regarding professional registration, regulation standards and options for safeguarding your new windfall. Keep in mind that not all of these resources list all possible companies or individuals, and that updates to the sites may be made only periodically. With your help, we can make sure that someone else doesn't suffer from an unsuitable investment. In many cases, misconduct or fraud can be prosecuted as a crime. The information you provide is crucial for further investigations.

To learn more, contact:

Office of Secretary of State  
Robin Carnahan  
Missouri Securities Division  
Investor Protection Hotline:  
800-721-7996  
[www.missourisafesavings.com](http://www.missourisafesavings.com)

Financial Industry Regulatory Authority (FINRA, formerly NASD)  
301-590-6500  
[www.finra.org](http://www.finra.org)

U.S. Securities and Exchange Commission (SEC)  
Consumer Information Line  
800-732-0330  
[www.sec.gov](http://www.sec.gov)



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# Managing Windfalls

## Protecting Your New Wealth



Perhaps you have come into some new wealth. Although it's exciting to see your financial situation improve, and you are probably considering all the wonderful things this can do for your family, this new money might come with some complications. The Secretary of State's office wants to help you enjoy your good fortune by alerting you to some common mistakes and pitfalls that have affected others in the same situation.

Here are some ways you might find yourself with a "windfall:"

- Lottery and sweepstakes winnings
- Court settlement
- Inheritance from friend or family member
- Retirement, pension or early buyout
- Life insurance
- Business or real estate sale or acquisition
- Divorce
- New job, job change or promotion

Before you start to invest or spend your money, you should stop and think about what matters most to you. Researchers at several financial institutes have found that the majority of people who come into a windfall spend it all within a few years. And, unfortunately, at the Missouri Securities Division, we have seen and investigated several instances where recipients of sudden or unexpected wealth have been taken advantage of by professionals' misconduct or con artists. To avoid a similar fate, you need to determine what you will do to ensure that your windfall helps you secure a more comfortable life. How will you avoid scams and money-draining schemes?

#### Don't let a story like this happen to you:

**Several years ago**, a Missouri man decided to retire. He sold his propane business and his family farm and received millions of dollars from the sale. It seemed like he had what he would need to live comfortably for the rest of his life. Almost immediately, two brokers approached him with a complicated commodity investment. Commodities involve physical products, such as food, metal or nature-related items, or services. The man was unfamiliar with these products, yet he still invested more than \$1 million. Just months later, the investor learned that he had lost more than a million dollars, and more than half a million in commissions had been paid to the brokers. In fact, every month, he would lose nearly \$100,000, while the brokers bought new homes using his hard-earned money. In his mid-80s, the man lost his home and his fortune.

Or a story like this that happened to an investor from Southeast Missouri:

**A Cape Girardeau man** received a personal-injury settlement worth hundreds of thousands of dollars after suffering injuries from a job-site accident where over 80 percent of his body was burned. The injured man, wanting to invest the money from his settlement, entrusted a member

of his church to help him invest the money. The injury victim paid over \$260,000 in what he thought was a real estate investment. After that transaction fell through, the bulk of his remaining money was spent on the production of a movie in Hollywood. The injured investor never heard why the real estate investment fell through and was never told by the church member about the movie production investment. Through mid-2007 and over a year after he was supposed to receive his full investment back, and a million-dollar return, the injured man had lost almost all of his principal investment. The Securities Division took action against the church member who defrauded the injured worker.

### Finding and Understanding Professional Advice

When thinking about what to do in your new financial situation, it's helpful to know who you might want on your team. One way to maintain your windfall over a long period of time, and to make it grow, is to plan how you will spend your money and what will happen to it when you're gone.

You might also find that a number of people want to be a part of your new wealth. It is advisable to use a combination of several different advisors and use them only in their specific area of expertise. People who are involved in wealth planning and management offer a variety of services, and it is important to note that different standards exist for registering and licensing these professionals' services.

The following is a list and explanation of some common professional advisors whose support you might enlist, their functions and some special designations. (Note: these are not intended to be a complete list of designations or duties. The Missouri Secretary of State's Securities Division does not participate in the approval of, or endorsement of, these designations.)

**Accountant:** gives you advice on taxes, helps you prepare and submit tax returns, helps you plan for taxes before you invest and reviews your options with you. They work in small private practices or for large international accounting firms.  
*Designations: Certified Public Accountant, CPA, licensed by the state board of accountancy.*

**Financial planner:** matches your life goals, needs, budget, investments, retirement plans and other income, in combination with tax information, to customize a plan for you. They continue to monitor your

investment strategies over time. Financial planners must be licensed to sell you insurance and might also be registered as "investment advisers."

*Designations: Certified Financial Planner, CFP.*

**Investment adviser:** provides securities and investment advice and can do so without being licensed to buy or sell securities. Investment advisers execute the financial plans that you make with a financial planner. These advisers must register with the Missouri Securities Division.  
*Designations: Registered Investment Adviser, RIA.*

**Stockbroker:** buy and sell stocks, bonds, annuities and mutual funds at brokerage firms. They can help with parts of your financial plan, are licensed and registered by the state and usually earn commissions.  
*Designations: Certified Financial Planner, CFP.  
Certified Financial Analyst, CFA .  
Chartered Financial Consultant, ChFC.*

**Estate planner:** this title usually refers to an individual who has another professional advisor title. They offer strategic support and advice on what will happen to your funds after you die, including matters such as estate taxes, court proceedings and other issues. An estate planner can make sure that your assets go to the people or organizations you designate. These advisors will help you think about wills, living wills, powers of attorney and trusts.  
*Designations:  
Estate Planning Law Specialist, or EPLS.  
Accredited Estate Planner, or AEP.  
Certified Public Accountant, CPA.  
Chartered Life Underwriter, CLU.  
Certified Financial Planner, CFP.  
Chartered Financial Consultant, ChFC.  
Certified Trust and Financial Advisor, CTFA.*

**Attorney:** represents you in court or legal matters, including drafting wills and powers of attorney, helping you act as executor of another person's estate, or the attorney can act as executor of an estate. A tax attorney assists with navigating tax laws regarding inheritance and income, including reporting wealth properly to the state and the IRS, meeting deadlines and making financial transfers. An attorney can also be helpful in offering counsel when you are considering investing in a business or venture, and in reviewing contracts and agreements.  
*Designations: Juris Doctorate, J.D., and passes state bar exam.*

## Tips for Managing Your Windfall

### 1. STOP!

Don't invest right away. Many recipients of windfalls make mistakes in terms of hasty spending right after they've received their money. To avoid that fate, consider putting your money into an FDIC-insured bank account or a short-term CD (certificate of deposit). Then, hire a lawyer, accountant and/or financial planner who can assist you from the beginning.

### 2. Set goals.

Sit down and write out what you need and what you want. List long-term and short-term goals. Consider your outstanding debts, bills, loans, mortgages and other expenses. Think about your future as well as your present circumstances; remember that unexpected expenditures do come up. Consider how long you'd like the money to last, and, if you aren't planning to spend it all, what you'd like to happen to it when you're gone.

### 3. Communicate carefully with those close to you.

Make your wishes and goals known only to people you know well and who might be in charge of managing your money and your possessions after death. You may want to inform those people where you have put your investments. Courts may have to intercede if clear instructions are not given, and you will want only those who understand your intent, and who have your family's best interests at heart, to carry out your plans.

Be extremely cautious in providing specific information about the amounts, nature and income stream of your windfall, and avoid providing anyone with any personal information such as social security numbers, account numbers, account cards or specific information that might allow them to transfer your funds without your permission. Never sign over your money or grant control of it to a person whom you have not thoroughly investigated or whom you have not **independently** verified is legitimately registered or licensed.

### 4. Use registrations and securities standards before you make a decision.

It's important to check all available resources before making any decisions, particularly regarding the background of an advisor, and the nature and legitimacy of an investment opportunity. Turning over your money to someone you don't know, someone who sends you unsolicited mail, or someone you meet on the street or at a free lunch seminar can be dangerous. Many companies, and even some unscrupulous individuals, can buy lists or find public records with your personal information on them.

Strangers are not the only ones who might target you. The Missouri Securities Division often discovers affinity fraud when investigating complaints. "Affinity fraud" occurs when someone uses the trust and friendship that exists in a group of people with common backgrounds or interests to take advantage of group members. Churches, professional groups, ethnic groups and clubs based around hobbies are common targets of fraudsters. Con artists will often join these groups to gain your trust. Once a scam artist has gained your trust this way, he might then attempt to gain access to your money or control of your finances, or convince you to invest in a new scheme or venture. You should check the credentials of **anyone** offering advice or an investment, even people you think you know or people who share some common interests. You can use state resources and your local library to check out registrations, licenses and other information that verifies the background, professionalism and quality of an organization or individual. The important thing to remember is to use many sources to find information.

### 5. Remember tax laws.

Your new wealth might be taxed as income, subject to an inheritance tax or other regulations. These taxes come out of your original lump sum, either all at once or over a period of time, so you'll want to plan carefully to maximize your new income. Check with an attorney and other financial experts to find out what kinds of taxes apply and what rules and deadlines might apply. For example, many estate taxes must be paid within a very specific time period after the person's death and might include hefty penalties for noncompliance.

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