

Suddenly in the Money

The prevalence of squandered wealth has become so commonplace that it has spawned its own financial term. *Sudden wealth syndrome*, a condition first identified by psychologist Stephen Goldbart in the late 1990s, describes the feelings of stress, guilt, and similar emotions associated with the gain of an often-unexpected financial windfall. Goldbart is co-founder of the Money, Meaning, and Choices Institute (MMCI), a group of psychological professionals who work with wealth holders and their financial advisors to address the emotional issues and challenges of wealth.

As MMCI explains on its website, society equates money with happiness and success. Most of us have a hard time believing that the rich have problems with their wealth. The institute has identified several primary symptoms of sudden wealth syndrome, including:

- Recurrent and persistent thoughts and impulses related to money;
- Anxiety and depression in response to stock market volatilityâ??what they call â??ticker shockâ?•;
- Extreme guilt that inhibits good decision-making and leads to behaviors that punish individuals who believe they do not deserve their wealth;
- Confusion over identity, whether the suddenly wealthy are the same people as before and how that should affect their relationships and priorities; and
- Depression from the realization that gaining all the material things desired does not lead to happiness and satisfaction.

Other organizations have also been established to address the financial and emotional issues of sudden wealth, including the Sudden Money Institute, whose founder, Susan Bradley, created the Certified Financial TransitionistÂ® designation.

â??These struggles may result in social isolation, the breakdown of relationships, mental and physical fatigue, depression, and, in some cases, utter hopelessness,â?• explains CAPTRUST Financial Advisor Cathy Seeber.

MMCI views sudden wealth syndrome as a turning point in a personâ??s life that, if dealt with effectively, can be transformative and beneficial to not only that individual and his or her family but also to the larger community.

We have all heard about lottery winners or professional athletes who squander their fortunes, but this same sudden wealth syndrome can also impact the beneficiaries of more common financial windfalls.

A female client of Seeberâ??s, for example, acquired an eight-figure divorce settlement that was accelerated by the death of her former husband. The sudden wealth sparked an emotional response, causing the woman to move to Los Angeles, buy a mansion, and gift a large sum to her son to provide for his future. In just a few years, her clientâ??s assets shrank from $13 million to $8 million.

â??Wealth creates emotion, and emotion drives decision-making. Acknowledging this is a first step to coping with sudden wealth,â?• explains Seeber, one of a select group of Certified Financial PlannersÂ® who is also a Certified Financial TransitionistÂ®. This is the first designation in the human dynamics of financial change and transition in the wealth management industry. Seeberâ??s training enables her to address the feelings and values triggered by sudden wealth in addition to the traditional financial consequences.

How wealth is acquired can often determine the best strategies for managing it. An inheritance or life insurance settlement from the unexpected death of a family member comes with its own emotional and financial issues, while the unsolicited sale of a business may also leave a business owner unprepared to deal with his or her new reality. Other wealth transfers are more predictable, such as a large sale of stock, a company going public, or the passing of a loved one with a terminal condition.

â??You want to help people figure out how they will adapt to change when the windfall occurs, and you want to do this ahead of time whenever possible,â??â?? says Seeber, who works with clients across the country. â??All these decisions impact a personâ??s well-being.â?•

â??The root cause of a clientâ??s lack of implementation of sound advice is his or her inability to adapt to change. Anticipation of a life-changing event, experiencing the actual event, and integrating the event into your life can involve a tremendous amount of internal realization. When the work isnâ??t addressed because no one notices itâ??s there, negative consequences occur,â?• says Seeber.

From a tactical standpoint, Seeber advises sudden wealth recipients to resist the urge to act rashly. Instead, she suggests putting newly gained assets in a safe placeâ??such as a money market

account or certificate of depositâ??allowing adequate time to prioritize their situations and form a plan.

Angat Saini, an attorney with Accord Law in Toronto, also recommends depositing most newly acquired assets in an insured account, but says allowing for a small spending spree can be a helpful part of the transition process. â??Take some of that money and spend it right awayâ??in order to satisfy the urge to impulse spend,â?• Saini says. â??That way you can get that urge out of your system while a long-term financial plan is being created.â?•

Dealing with such urges and emotions are so ingrained in a personâ??s psyche that Seeber and other financial planners often recommend assembling a planning team that includes not only a financial advisor, estate planning attorney, and accountant, but also a therapist.

Such expertise can help individuals not only cope with their sudden wealth but plan prudently for the life changes that wealth will bring.

â??Sudden wealth syndrome is really not a syndrome because itâ??s not a group of signs and symptoms,â?• Seeber says. â??Most recipients donâ??t see it coming, although there are some who go through the anticipation of sudden wealth.â?•

Seeber educates clients on the four stages of financial transition associated with a financial windfall:

- Anticipation**.** Prepare for an event that has not yet occurred.
- Ending. Some aspect of life has come to an end, and perhaps your identity has changed as a result.
- Passage. It takes time to relate to the change and adapt to it.
- New normal. Establish the beginning of a new life after the event has been fully integrated.

Not every instance of sudden wealth comes with an anticipation stage, but they all involve a passage from an individualâ??s or familyâ??s former life to a life with significantly more financial assets. The passage stage can last years. â??Some people try to force passage, but this is an important learning stage, where you can dream and set expectations and build the brain trust of your financial plan,â?• Seeber says.

During the passage, individualsâ?? feelings can run the gamut from the power of possibility to fear, anxiety, chaos, and even survivor guilt. Many sudden wealth recipients fear their identity will be compromised, while others become mentally and physically fatigued from dealing with all the new issues that wealth creates.

Some recipients of sudden wealth worked diligently their entire lives to realize a liquidity event such as the sale of a business. Such individuals may immediately consider the tax and wealth transfer implications or the need to invest their proceeds. This can be of concern to older wealth recipients who may plan to pass on their windfall to heirs. Saini suggests establishing trusts as an effective way to distribute wealthâ??both gifting assets during the recipientâ??s lifetime and reducing estate taxes upon death.

A complete understanding of the purpose of the new money and the outcome the individual would like to create is also crucial. An exercise in managing the expectations of others is equally as important. â??Most people jump right to the financials, but if they donâ??t understand the why of their wealth, then the what doesnâ??t matter,â?• Seeber explains.

Instead, she recommends asking three important questions when facing a life transition: What do you need to protect? What do you need to let go of? What â??newâ?• needs are going to be created now, soon, and later?

This third question can set the stage for assembling the brain trust that will help form a comprehensive financial plan. As Seeber likes to say, â??Good decisions make a good life.â?•

Have questions? Need help? Call the CAPTRUST Advice Desk at 800.967.9948 or schedule an appointment with a retirement counselor today.

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