



Elder Law Guys: If big money is coming, ask the tough questions before the check arrives

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You may have noticed that whenever a large lottery winning is announced, one of the first things commentators state is that the lottery winner should contact a lawyer before doing anything. Good advice.

Since your chances of winning the lottery are only slightly better than the Cleveland Browns winning the Super Bowl, let's talk about some similar situations that frequently happen to many people that entail the same planning characteristics.

The two most common situations are people receiving an inheritance and people who are injured or who have had a family member injured and are receiving a settlement of money.

While these situations are already complex, coupling these transactions with the possibility that the person receiving the money may be under a long-term disability calls for some special planning long before the money arrives.

Unlike winning the lottery, every recipient of a financial windfall in the above scenarios is generally aware that the money will be arriving at some time in the future.

In that regard, it is incumbent upon that person to research the options, in advance, to make the best choices when the time comes to pick up the check. Unfortunately, many procrastinate and call us when the money is already in their hands and their planning options are significantly reduced.

Regardless of the size of the windfall, it will make a significant impact (both good and bad) on the lifestyle of the person receiving the money as well as that person's family members.

Through careful planning and research, it is possible to maximize the use of such funds for many years and even for future generations, depending on the situation. Whether the amount received is \$30,000 or \$3 million, it is usually the single largest amount of money the person has or will receive at one time.

Here are some key issues to consider when facing this situation:

- Will the receipt of these funds interfere with my ongoing medical benefits such as medical assistance? Or any benefits of a household member?
- What can I do to minimize the loss of any government benefits both upon receipt of the funds and in the future?
- How can I maximize the use of these funds for myself and my family or others?
- How should I invest this money when I've never invested money before?
- Should I purchase a house? A car? Other goodies?
- Should I pay off debt?
- What are my future options for health care coverage? And, if I make decisions now, will they negatively affect me or my family in the future?
- What types of taxes will I owe — now and in the future?
- How do I reduce the risk of losing my money to repayment to the state at my death?
- How do I protect these funds from “predators and creditors”?
- If I am unable to handle my finances due to illness in the future, who will handle my money? Does that have to involve the court or can I select someone to do it for me?

Some of the decisions that can have long-term effects must be made before the money arrives. This is where most people make mistakes.

Think about the major financial milestones in most people's lives: Purchasing a home, retirement, going to college, purchasing a new car or taking a vacation. Many of these decisions involve months or years of planning before making a final decision.

Yet, many who are receiving a financial windfall rarely plan for such a significant event until after it has occurred, leaving many planning options possibly foreclosed forever.

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