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Sudden Wealth Syndrome:

Don't Let it Happen To Your Children

With a lottery ticket, Geraldine Williams went from being an average working-class woman to a multimillionaire. You'd think her problems were solved, but professors who study those whose fortunes change in a heartbeat say pitfalls could lie ahead.

Therapist Stephen Goldbart, Ph.D., of Kentfield, California, says the newly rich "feel cut off from their friends and family. They're suspicious of investment counselors, afraid their kids will grow up spoiled or crippled by the money. And they suffer from an identity crisis because at the ripe old age of thirty-something they no longer have to go to work."

This may be exactly what happens to your child if your estate plan simply incorporates the outdated distribution formula of "one-third at age 25, one-half at age 30 and 100 percent at age 35."

Many think this is a good plan – give them a little, but not too much, hoping that if they make a mistake, five years will allow them time to grow. It may sound like a good idea, but most of your children will be older than age 35 when they inherit your wealth. And, although they may be mature, responsible adults, according to AARP, 80 percent of all inheritances are gone in 18 months.

The Solution

Instead of choosing an arbitrary age at which your heirs will assume control of an inheritance, set a term of years. In other words, rather than "one-third at age 25, one-half at age 30 and 100 percent at age 35," give them access to "five years after my death, give them one-third, seven years after my death, give them one-half and 10 years after my death, give them 100 percent." In the interim, require they work with a wealth advisor who will teach them how to successfully manage the inheritance.

For more information on financial education and planning for yourself and your loved ones, as well as how trusts can help you meet your goals, contact your financial advisor.