

# How to Maximize an Inheritance

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Maximizing an inheritance requires careful planning, thoughtful decision-making, and a strategic approach to managing the assets left behind. Inheriting a significant sum of money or valuable assets can be a life-changing event, and making wise choices is crucial to ensure long-term financial stability and growth. Here are some key strategies to consider when looking to maximize an inheritance.

Begin by understanding the nature of the inheritance. Determine whether it includes cash, real estate, investments, or other valuable assets. Assessing the total value and composition of the inheritance is essential for creating an effective strategy.

Develop a comprehensive financial plan that considers your current financial situation, goals, and risk tolerance. Consult with a trusted financial advisor to create a customized plan that aligns with your unique circumstances.

Prioritize paying off high-interest debts, such as credit card balances or outstanding loans. Reducing debt can significantly improve your financial health and increase the overall value of the inheritance.

Establish or contribute to your emergency fund. Having a financial safety net can protect you from unexpected expenses and provide peace of mind. Plan for three to six months' worth of living expenses in your emergency fund.

Diversify your investment portfolio to minimize risk. Consider a mix of equities, bonds, real estate, and other investment vehicles based on your financial goals and risk tolerance. You should regularly review and adjust your investments as needed. Make sure you understand the implications and rules if you inherit an IRA. You may have to start taking Required Minimum Distributions (RMDs) immediately and distribute all money in the inherited IRA within ten years depending on your situation. This could significantly increase your taxes.

Understand the tax implications of your inheritance. Consult with tax professionals to explore strategies for minimizing tax liabilities. This may include utilizing tax-efficient investment vehicles and taking advantage of tax credits and deductions.

Plan for the future by creating or updating your own estate plan. This may involve setting up trusts, designating beneficiaries, and ensuring that your assets are distributed according to your wishes. You may want to contact an estate attorney to guide you through this process.

Consider incorporating philanthropy into your financial plan. Making charitable donations not only supports worthy causes but may also have tax benefits.

If the inheritance includes real estate, carefully consider whether to keep, sell, donate, or rent the property. Each option has financial implications, and the decision should align with your overall financial goals.

Remember, everyone's financial situation is unique, and there is no one-size-fits-all approach to maximizing an inheritance. Seeking professional advice and taking a thoughtful, strategic approach can help ensure that the inheritance has a lasting and positive impact on your financial future.

