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Welcome. My name is Andrew Baron, and this is Well... It Depends! The podcast where I address financial decisions that can't be answered with a simple yes or no. In this episode, I ask the question; How should I prepare if I'm expecting a large inheritance down the line?

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But before we begin a short disclaimer. This is being recorded on September 7th, 2023. The contents of this podcast are strictly for informational purposes only, and nothing said should be taken as investment, tax or legal advice. It is important to consult with a professional before making any financial decisions, as the strategies discussed may not be suitable for you specifically.

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Getting into it. How should I prepare for a large inheritance down the line? Well... It Depends!

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Anticipating an inheritance that is possibly years, or even decades, away brings with it a unique set of considerations. Remember that while the family may be well-off now nothing is guaranteed, and financial situations can change. Therefore, first and crucially, it is important to live within your means now.

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While it may be tempting to lead a lavish lifestyle based on future anticipated money. It is safer to base your lifestyle on current income and assets.

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Other ways to prepare include educating yourself. It's important to engage with the family, to reach out and know the nature of the type of assets you stand to inherit. Is it property, stocks or a family business? Understanding these specifics can help you plan and get involved earlier.

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This leads us to future tax planning. Depending on the type of assets, they may be subject to inheritance taxes, estate taxes and capital gains considerations. It can be helpful to familiarize yourself with these, or perhaps even better, consult with a tax professional to lead you down the right path.

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And then finally, we have establish your personal portfolio. Before inheriting anything, it's important to have a robust personal portfolio. This may mean maxing out your retirement savings, having a sufficient emergency fund, and ensuring that your debt free given that you have a long timeline.

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The ultimate strategy isn't to park the money, but instead to allow it to grow. Therefore, you might consider also learning about diverse investments besides traditional stocks and bonds. You might also explore real estate, private equity and other alternatives because you have a long timeline. It allows you to be slightly more aggressive in your risk profile. If the inheritance includes a family business, it may be worthwhile investing in either skills or education that allow you to contribute directly or perhaps even take over in the future. Remember, building a family legacy requires hard work and preparation.

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And finally, we have philanthropy. Many affluent families have a tradition of giving back. Therefore, you may consider becoming active in either a charitable event that the family supports, or perhaps even find your own passion.

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To recap. Live within your means. Even if you anticipate receiving substantial money in the future. Educate yourself and ask the family the nature of assets that you stand to inherit, as well as the possible tax consequences. It may also be to your advantage to learn more about diverse investments outside of the assets you expect to inherit, how you may contribute to a family business, as well as how the family has traditionally practiced philanthropy.

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So, to answer the question, how should I prepare if I expect to receive a large inheritance down the line? Well... It Depends!