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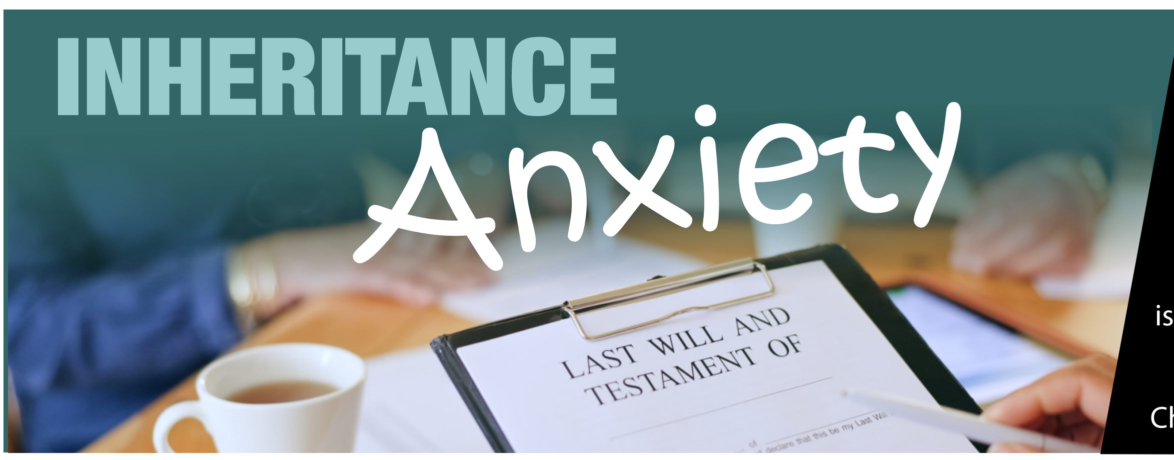
Chapters
Turning the Pages through Grief

INHERITANCE Anxiety



By Eileen Madsen

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Eileen Madsen is an award winning columnist, editor, and publisher of Chapters Newsletter

My husband and I always knew there would come a day when we would inherit a windfall of money and property from his parents. It always seemed like a long time from any given "now."

Sure, it was exciting to imagine, but first would have to come their passing. And last year, well, that came to pass, for both of them within a few months of each other.

Granted, they were both elderly, and it was time, if not beyond time in many ways. Anyone with loved ones who linger in a care facility knows what I mean.

Yes, we were sad, and still are, but I'd be lying if our thoughts didn't eventually turn to the money we would soon possess, and the properties to eventually be sold. Whoo hoo, right?

Well, sort of. Yes, it certainly is adding to our bottom line, and it's a gift that keeps on giving. But the thrill of opening that gift and playing with it has been a challenge.

My husband, especially, has been struggling to accept the new lifestyle. I don't mean that we are now living lavishly, blowing money left and right. It's just a new way to think, with opportunities we did not have quite as easily before the cash influx. Like most people, we had to consider the affordability of certain things at any given time, such as a new car, or vacation, or home improvements. With this new financial situation, those considerations are a much easier pill to swallow. A pill we can chase with a nice chardonnay. But even though we can, we still wonder if we should.

Yea, I know what you're thinking... "it must be nice," and I am certainly not saying it isn't. But it takes some mental gymnastics sometimes to make it feel ok. At least right now.

Shortly after receiving some of the funds, we immediately did what made the most sense: paid off a couple things. Then we contacted our finance guy who walked us through our options and give us advice. The practical stuff.

If you, or someone you know, finds themselves in this situation, realize it may take some time to get comfortable with it. From the

continued...

""Love only grows by sharing. You can only have more for yourself by giving it away to others."
—Brian Tracy

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practical side of things, here is what the experts suggest:

First off, pause, park the cash in a high-yield account, and map out a strategic plan before making any permanent financial moves.

Managing a sudden windfall requires balancing immediate tax implications, debt clearance, and long-term wealth preservation.

1. Secure the Funds Immediately

Open a high-yield account: Place the money into a High-Yield Savings Account (HYSA) or a short-term Certificate of Deposit (CD).

Maximize FDIC insurance boundaries: Keep balances under $250,000 per depositor, per insured bank, to ensure absolute safety.

Create a decision-free window: Force a 3 to 6-month pause to process grief and prevent impulsive spending.

2. Assess Your Tax Liabilities

Evaluate federal estate taxes: The federal estate tax exemption is $13.99 million per individual for 2026, meaning most estates owe no federal tax.

Check state-specific exemptions: Each state is different. Some have no estate tax, some have both estate and inheritance taxes. Some have neither.

Calculate capital gains: Talk to your tax adviser here. There is no one-size-fits-all way to try to explain this here.

Review retirement account rules: Inherited Traditional IRAs or 401(k)s generally require non-spouse beneficiaries to fully withdraw all funds within 10 years, which triggers ordinary income tax.

3. Deploy the Capital Strategically Inherited Windfall

- Establish 6-Month Emergency Fund
- Pay Off High-Interest Debt (Credit Cards, Personal Loans)
- Maximize Tax-Advantaged Retirement Accounts (IRA, 401k)
- Invest for Long-Term Growth / Pay Down Low-Interest Debt

Build your safety net:
Liquidate enough funds to cover 3 to 6 months of living expenses in an emergency fund.

Eliminate toxic liabilities: Pay off high-interest debts immediately, focusing on anything with an interest rate above 7% (e.g., credit cards).

Fund retirement vehicles: Use the cash to replace your salary so you can maximize your workplace 401(k) or a Roth IRA.

Invest or pay low-interest debt:
Allocate remaining funds into low-cost index funds (or whatever you and your financial advisor deem best for your situation, age, and goals) or pay down lower-interest debts such as a mortgage.

4. Assemble Your Professional Team

Hire a Certified Financial Planner (CFP): Look for a fee-only, fiduciary planner who is legally obligated to act in your best interest.

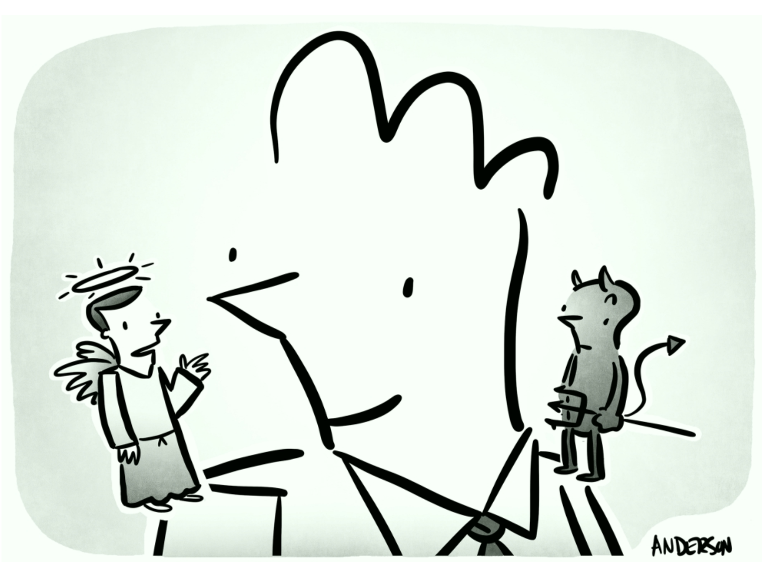
Consult a Certified Public Accountant (CPA): Retain a tax specialist to map out your multi-year tax optimization strategy, especially for inherited retirement accounts.

Enlist an estate planning attorney: Update your own will, trust, and healthcare directives to protect your newly acquired wealth.

As for my husband and me, we are getting there. Currently, most expenditures are practical home upgrades and improvements. But we are slowly incorporating a bit of fun.

We see taking some of our new found loot as giving it new life through sharing with others, and spending and investing in ways where my in-laws' hard work and financial savvy can live on in joy and remembrance of them.

As the saying goes, shared sorrow is half sorrow, happiness shared, (and money), is happiness doubled.



"You know what? Yes. Go ahead. Live a little!"

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The purpose of this newsletter is to share honest insights with a fresh approach, on how to navigate through all of life's chapters.

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