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How to Stay Rich After Winning the Lottery

What would you do if you won $1 million? How about just over $19.1 million? That's the question seven Capital Region residents are asking themselves after splitting the $319 million Mega Millions jackpot prize they won March 23.

The group of state workers regularly pool their $2 and buy lottery tickets when the jackpot hits $100 million. This time, they hit it right with a Quick Pick from a corner store in Albany, making John Hilton, 57, of North Greenbush; Gabrielle Mahar, 29, of Colonie; John Kutey, 54, of Green Island; Tracy Sussman, 41, of Colonie; Mike Barth, 63, of Bethlehem; Kristin Baldwin, 42, of Clifton Park; and Leon Peck, 62, of Johnstown, overnight millionaires.

While their immediate plans seem tame—Mahar wants a dishwasher, Barth wants new tires and to fund his son's college education, Hilton wants to fly first class and Kutey wants to take his wife to every Disney Park around—the "lottery curse" can strike in the blink of an eye.

A Tully Rinckey PLLC Estate Planning attorney with a financial planning background, said the lucky seven can take several simple steps to ensure their new found wealth remains intact in the long run.

"There are horror stories about lottery winners and all the tragedies that they have … they wind up broke, filing for bankruptcy or completely broke or a lot of other problems," he said.

He said striking it rich out of nowhere can be understandably confusing. Most lottery winners are of average or below average wealth, so they've never had to deal with lots of money. That, coupled with no professional financial background and family and friends chirping advice in their ear, can make for a dangerous outcome.

"They listen to bad advice, that's the No. 1 one thing they do. No. 2 is they spend a lot of money on assets that depreciate, assets that immediately as soon as you buy the item, loses value," he said.

That means buying an expensive new car (or two or three) is throwing money around on something that will lose value as soon as its driven off the lot. Buying a million dollar house (or several vacation homes) may not seem like an outrageous expense, but he said there are increased property taxes that will be "astronomical" and incredibly expensive insurance, not to mention the cost of everyday maintenance.

"It's not a one time purchase … now you've got this ongoing expense," he said.

Most lottery winners also quit their job, meaning they must now rely on this "one-time income," he said, which can dwindle quicker than you'd expect.

The trick to avoiding those common pitfalls is having a solid team of professional advisers that can help the new millionaire handle their fortune in a smart, savvy way. He suggests getting at least one lawyer, accountant, financial planner/money manager and an insurance agent. Of those, one should act as the quarterback, or the primary guider who can take the reins.

“Someone who can understand investments and cash flow and finance,” he said.

One thing this financial advisor would do is help the person understand controlled versus uncontrolled gifting. That means, instead of giving away $10,000 to each family member or friend who asks all at once, set a more structured plan.

“That way, if things change you can stop or reduce gifting. If you do it all at once you can’t get it back,” he said.

Another tip a financial ringleader will give is to stay away from get rich quick schemes and to stick to more mainstream, secure investments like treasury securities from the federal government, municipal bonds or stock portfolios that track Fortune 500 companies.

“If you’re gonna get a bit risky and play with the money, put a max cap of 2 percent or 5 percent that you can use,” he said. “For the average person who wins, you’ve won the game, the fourth quarter ended. Get off the field and don’t come back and play overtime because if you do that and start investing in risky things, you may end up losing the game after you were winning.” He said if the seven lottery winners invest their money in a conservative portfolio between stocks and bonds at a 4 percent rate of return each year with a lump sum of $15 million, that would mean they’d have $600,000 a year to live off of.

“Can you live on $600,000 a year? And of that, are you going to spend it all or keep getting I piled back into an overall account? It’s really about how you go about it,” he said.

So, staying rich can be done quite simply. The question is, will the seven millionaires prevail?