Smart Tips for Inheriting Wealth

(And turning it into Long-Term Progress)

Inheritances are becoming a bigger part of many families' financial stories. Research firm Cerulli projects **$124 trillion** will transfer through 2048 (mostly to heirs, with a meaningful portion to charity). At the same time, many people expect an inheritance in the nearer term: a New York Life survey found **15% of American adults** expect to receive an inheritance in the next decade, and a Citizens survey found **31%** of Americans believe it's likely they'll inherit money in the next five years.

Even when the dollars are significant, an inheritance can feel emotionally complicated and administratively overwhelming—especially if it arrives during a difficult season. The goal isn't to "do everything at once." The goal is to make clear, informed decisions that align the inheritance with your life, your values, and your other financial priorities.

Below are practical tips to help you avoid common mistakes and make the most of what you've received.

1) Give yourself time before making big moves

If you've just inherited assets, consider adopting a simple rule: **pause major decisions** (new home purchase, quitting a job, large gifts, large investments) until you've had time to understand what you inherited and what it means for your broader plan.

In the short term, focus on safety and organization:

- Park cash in an FDIC-insured bank account (or equivalent conservative cash option) while you plan
- Avoid pressure from friends, family, or sales pitches
- Write down immediate questions and concerns so your advisor can address them systematically

This "pause" is not about missing opportunities—it's about reducing the chance of regret.

2) Get clear on *what* you inherited and *how* it transfers

"Inheriting wealth" can mean many different things:

- A bank or brokerage account
- A retirement account (Traditional IRA, Roth IRA, 401(k), etc.)

- Real estate
- A business interest
- Life insurance proceeds
- Personal property (collectibles, jewelry, vehicles)
- Trust assets (which may have their own rules)

Ask for (and keep) copies of:

- The will and/or trust documents (and any amendments)
- Death certificate(s) (often needed repeatedly)
- Account statements as of the date of death
- Beneficiary designation confirmations (these can override the will in many cases)

A key reality: many assets transfer by **beneficiary designation** (retirement accounts, life insurance) or **transfer-on-death** instructions, which can operate outside the will. That's why having your advisor coordinate with the estate attorney and executor can reduce friction and confusion.

3) Understand the two tax concepts that drive many inheritance decisions
Inheritance planning often comes down to two big tax themes:

A) **Estate tax (for very large estates):**
Most families won't owe federal estate tax, but it matters for higher-net-worth situations. The IRS lists the federal estate/gift tax "basic exclusion amount" as **$13.61M (2024)** and **$13.99M (2025)** (per individual). (State estate/inheritance taxes are separate and vary.)

B) Income tax rules on what you inherit:

- **Investments in taxable accounts** may receive a "step-up" in cost basis in many cases, which can reduce capital gains taxes if you sell later.

- **Retirement accounts** are different: withdrawals can be taxable depending on the account type and your situation.

Because the right strategy depends on the *asset type*, a good first step is to categorize the inheritance: "cash," "taxable investments," "retirement assets," "real estate," "business," and "trust."

4) Pay special attention to inherited retirement accounts (IRAs/401(k)s)

Retirement accounts are one of the most common places heirs get surprised—because the rules changed in recent years.

For many **non-spouse beneficiaries** inheriting an IRA from an owner who died in **2020 or later**, the account often must be fully distributed within **10 years** (with exceptions for certain "eligible designated beneficiaries"). The IRS also notes relief measures tied to the 10-year rule and missed RMDs in certain years.

What to do:

- Confirm whether you're a spouse beneficiary, eligible designated beneficiary, or subject to the 10-year rule
- Coordinate a distribution plan with your advisor and tax professional to help manage tax brackets and avoid accidental spikes in taxable income
- Don't assume the "default" payout choice is best—options vary by custodian and account type

5) Build your "inheritance balance sheet" before you invest or spend

Before you decide how to use inherited money, get a full picture of your current finances:

- Emergency fund level
- High-interest debt (credit cards, certain personal loans)
- Mortgage terms
- Retirement contributions
- Insurance coverage
- Near-term goals (college, home, career transition)
- Tax situation (current bracket, expected changes)

Then map the inheritance to those needs. Very often, the best first uses are unglamorous but powerful: strengthening liquidity, reducing expensive debt, and improving resilience.

6) Watch for emotional spending and family dynamics

Inheritances often come with expectations—spoken or unspoken. You may feel pressure to:

- "Honor" the person by spending in a certain way
- Help family members immediately
- Make a big lifestyle change quickly

A helpful approach is to separate decisions into buckets:

1. **Immediate needs** (stability, cash flow, urgent obligations)
2. **Near-term goals** (1–3 years)
3. **Long-term plan** (retirement, long-range investing, legacy goals)
4. **Meaningful giving** (family support, charity, community)

Putting boundaries around timing and purpose can make conversations easier and reduce stress.

7) Be alert to fraud, high-pressure pitches, and “too good to be true” ideas

New inheritances can attract attention. Common red flags:

- Pressure to act fast
- Requests for secrecy
- Guarantees or unrealistic return claims
- Unclear fees or complex products you don’t understand
- Someone discouraging you from involving your advisor or attorney

If you’re unsure, slow down and route decisions through your trusted professionals.

8) Coordinate beneficiaries, titling, and your own estate documents

An inheritance is often the moment people realize how much paperwork matters. As of 2025, only **24% of Americans** reportedly had a will or estate plan, according to a recent summary cited by Kiplinger.

Use this moment to review:

- Your will/trust (if appropriate)
- Powers of attorney (healthcare and financial)
- Beneficiary designations (retirement accounts, insurance)
- Account titling and any “transfer on death” instructions
- Guardianship considerations (if you have minor children)

Even modest updates can prevent major headaches later.

9) Create an investment plan that matches the inheritance's role in your life

Once you've organized assets, clarified rules, and accounted for taxes, your advisor can help translate the inheritance into an investment approach that fits your goals and risk tolerance.

A few practical decision points:

- Should inherited investments be kept as-is or diversified?
- How much liquidity do you need for near-term goals?
- Does the inheritance change your retirement timeline—or simply improve margin of safety?
- Are there charitable or family-gifting goals to incorporate thoughtfully?

10) Turn the inheritance into a plan, not a pile of money

The most useful outcome is a simple, written plan that answers:

- What is this inheritance *for* in my life?
- What decisions do I need to make this month vs. this year?
- What are the tax rules and deadlines that apply?
- Who is on my "team" (advisor, CPA, attorney), and what is each person handling?

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