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What Should You Do After You've Won Powerball Or Mega Millions?

You've checked the numbers over and over, and, yes, each time, the numbers match. Holy Cow! You've just won a life-changing jackpot! It's thrilling, but it's also terrifying. What should you do now? First, take a deep breath. And then another. Your life is about to change dramatically. Still, if you keep your cool and assemble an appropriate team around you, there's no reason that the jackpot can't be incredibly positive for you and your family.

About a year and a half ago, I had the privilege of working with a jackpot winner after I got a call from an old college friend whose aunt had just won Powerball and had no idea what to do. My friend was looking for a wealth management firm to help his aunt, and he knew that my firm, St. Louis Trust & Family Office, specializes in assisting ultra-high-net-worth families and the complexity, challenges, and opportunities having great wealth entails.

Even though I've worked for decades with families that have Powerball-like wealth, working with a lottery winner was a first for me. It's been a fascinating experience reminiscent of assisting clients selling a family-owned business and enjoying a once-in-a-lifetime influx of cash, yet different because the lottery winner's transition to great wealth is sudden and unexpected.

If you or someone you love is in the enviable position of having won a recent Powerball or Mega Millions jackpot, this article is a roadmap for steps to ensure long-term success.

Practicalities of Claiming the Jackpot

Corner gas stations don't have millions, or even thousands, of dollars to pay out lottery winners. If you win a jackpot, you will claim it at your state's lottery office. Before you do so, there are things you should do:

1. Safeguard the ticket

Sign the back of the ticket immediately and then store it somewhere secure. A safe deposit box at a bank or a safe in your home are good choices.

Check with your state's lottery office about their deadlines and rules for claiming the jackpot, which you can do with an anonymous phone call. Note that the deadline for claiming the winnings varies by state (usually between 90 days and one year), and, as I will discuss later, there is also a deadline for choosing between the lump-sum and annuity options. While you must appear in person to claim the jackpot, sixteen states allow winners to remain anonymous.

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2. Be choosy about who you tell about your win

At first, only tell your immediate family (and maybe not all of them). Wait to spread the news of your winning only after you have a communication plan about who you want to tell and what your message will be. Whether your state allows you to claim the winnings anonymously significantly affects your communication plan.

As discussed below, your financial windfall will change your relationships with friends and family and attract charities and financial predators seeking new relationships. So, broadcasting your win isn't a good idea.

Additionally, you may want to hire a firm to find and scrub personally identifiable information from the web and have them continually monitor what is said about you on the internet, social media, and the dark web and combat disinformation and social media imposters.

3. Engage a Lawyer and Financial Advisor

Before you claim the ticket, hire an estate planning lawyer and a financial advisor, preferably those with experience working with ultra-high-net-worth families. They will ensure you have your legal and financial ducks in a row before claiming the jackpot. For instance, you need basic estate planning documents executed and investment accounts ready to earn interest on the cash influx. In addition, these advisors can help with decision-making, such as the optimal time to claim the winnings and whether to take the lump-sum or annuity payout.

4. Decide on taking the lump-sum or annuity option

The headline jackpot number is the amount you'll receive if you select the annuity option and receive payments over 29 years (an initial payment and then 29 annual payments that increase by 5% each year). For example, suppose you won \$100 million and elect to receive the annuity payout. In that case, you'll get an immediate payment of about \$1.5 million and then \$1.58 million in a year (which is 5% higher than 1.5 million), \$1.66 million in two years, and so on until the 29th anniversary with a final payment of \$6.2 million. Those 30 payments will total \$100 million.

If you want the jackpot all at once, you can choose the lump-sum option, which makes one payment but at a discount to the headline amount. The amount of the discount is set by the lottery and is based on interest rates (higher rates = lower lump sum and vice versa), usually ranging between 45% and 55%. For example, at a 50% discount, electing the lump-sum option on a \$100 million jackpot would result in a \$50 million lump-sum payment before income taxes.

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Which is better: lump-sum or annuity? The answer depends on factors such as your expected return on invested cash and the pros and cons of having a massive amount of current money versus getting paid out over 29 years. Most jackpot winners choose the lump-sum payout, as did our Powerball-winning client because our analysis determined that if she earned a bit more than 4% annually on her winnings, she'd have more money in the long run than if she took the annuity option. And we were confident that her portfolio would earn more than 4% over the long-run.

5. Plan on income taxes in two parts

All lottery winnings over \$5,000 are subject to federal tax withholding of 24%. Some states also require state tax withholding on lottery winnings. But if you win a large jackpot, this won't be all the income taxes you owe because, for 2024, the highest tax bracket is 37% for income over \$609,351 for single filers and \$731,200 for married filing jointly. This means \$12 million of federal tax will be withheld from a \$50 million lump sum payout (\$50 million times 24%), and an additional \$6.5 million or so of federal tax will be due on April 15 of the following year (\$50 million times 13%). Add state taxes to those amounts if you live in a state with an income tax.

Note that for a jackpot winner who chooses the discounted lump-sum option, the after-tax winnings will be about 30% of the headline jackpot (e.g., a \$100 million win will result in around \$30 million for the winner, depending on state income tax rates and the exact discount for taking the lump-sum).

The difference between the federal tax withholding at 24% and tax liability at 37% presents a planning opportunity: if you win late in the year, you may be able to defer claiming the jackpot until the following year, allowing you to invest the taxes due for an additional year (i.e., the \$6.5 million tax number in the above example). We did this with our Powerball client, and she earned hundreds of thousands of dollars by investing the taxes due in the following year in a high-yielding bond.

Longer-Term Financial Planning

Once you've claimed your winnings and your cash is safely earning interest in an investment account, it's time to focus on financial planning for the future.

1. Determine Your Goals

Determine what your goals are for your newfound wealth. Buying a new house (or two), driving a nicer car, and taking better vacations are all benefits of having wealth. But the pleasure of having nicer things will wear off; research has found that we quickly adapt to an improved lifestyle. Work with a wealth professional to develop a vision for what you want the wealth to do for you, your family, and your community.

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2. Create a Spending and Investing Plan

With an idea of your goals for your wealth in place, work with your financial advisor to create a spending and investing plan to achieve those goals. Even though you are now worth tens or hundreds of millions of dollars, it still makes sense to have spending discipline, as mindlessly spending money is unfulfilling and can take a significant bite out of your wealth. On the investing front, an important decision is whether to invest the winnings all at once or over time. I've written about the pros and cons of each strategy in this article: [You've Received an Influx of Cash. Is It Best to Invest It as a Lump Sum or by Dollar-Cost Averaging?](#)

3. Engage in tax-focused estate planning.

Wealth over \$13.6 million (or \$27.2 million for married couples) is subject to estate tax. Tax-focused estate planning with your attorney and financial team is essential if your lottery winnings put you over this threshold. This will likely involve creating entities such as trusts and limited liability companies.

4. Consider funding a private foundation or donor-advised fund.

You'll owe significant income taxes if you take a lump sum payout. A way to reduce the tax bite is to make a large contribution to charity in the year you claim the jackpot, as the charitable deduction will offset your lottery income. You may want to fund a charitable entity such as a private foundation or donor-advised fund, which will allow you to claim a current income tax deduction but make payments to charity over time. You can read more about donor-advised funds and private foundations in my article [here](#).

Moving Into the World of Wealth

In his book "Strangers in Paradise: How Families Adapt to Wealth Across Generations," James Grubman highlights the challenges and adjustments families face when transitioning into wealth. He likens going from modest to great wealth to moving to a new home country with a different culture. Be mindful of this tough transition — you'll shed some of your old identity and gain a new one. As you move into the world of the wealthy, there are a few best practices to follow.

1. Build a team to help guide you through issues that can arise with sudden wealth

Having great wealth is fantastic, but it isn't all puppies and butterflies — there are real challenges.

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Expect your relationships with family and friends to change, and not always for the better. Your newfound wealth will cause envy among existing friends and lead to people suddenly wanting to establish a relationship because of your wealth.

We've seen this happen when family businesses are sold and when the financial details become public. For example, a client's family sold their business to a publicly traded company years ago. They had always maintained a low profile and didn't live extravagantly. After the company's sale for hundreds of millions of dollars, which was reported in the local paper, their lives changed drastically. Their relationships with some friends became strained, and new wannabe friends came out of the woodwork. Their church asked them for \$1 million, and all sorts of other charities hounded them. They were barraged with phone calls, emails, and letters from financial firms wanting to sell them investment strategies. At lunch a year after the sale, this client told me that the past year had been the toughest of her and her husband's lives.

In addition to your changing relationships, you may also want to quit your job, thinking that days of relaxation, travel, and hobbies like golf are the ticket to happiness. But be careful – too much discretionary time can backfire and reduce your overall well-being. Someone I know professionally who sold his business expressed this notion when he told me, "I'm tired of golf and shooting birds – not having a job has left me rudderless."

You should hire a team to help you with these challenges including a therapist with experience with wealth-related issues and a lawyer and a financial advisor who are both experienced in advising wealthy families. Working with a therapist can help you navigate the emotional and relationship issues wealth brings, and your legal and financial advisors can help fend off financial predators and charities seeking donations.

2. Pace yourself when it comes to buying "stuff"

A friend of mine from a wealthy family says that "stuff is stress." I agree. As families gain wealth, they usually acquire more and more stuff: things like bigger houses (which require furnishing and decorating) with hot tubs and pools (which require servicing), second and third houses (which generate expense and require management), additional cars (which need storage and care), and maybe even planes (which are great but also expensive hassles). Plus, household staff like cleaning people, landscapers, and nannies are often also added to the mix, which adds employee management as a headache.

I'm not suggesting that you don't buy newer and nicer stuff or raise your standard of living. Instead, a best practice is to spread out big-ticket expenses like houses, cars, and even big vacations. Ease into having more things and spending more money because taking on too much too soon can create a lot of stress. Find what level of spending and possessions is right for you and your family.

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3. Spend money to increase happiness

A common adage is that money can't buy happiness. But that's not entirely true. More money is associated with more happiness and life satisfaction. And contrary to popular belief, lottery winners generally are happier after winning the lottery than before. But wealth, in and of itself, won't make you happy and fulfilled, nor will it make you miserable and ruin your life. Instead, money is an intensifier that can make good things better and bad things worse. If you want to use your wealth for more happiness and a greater sense of life satisfaction, spend it in ways that will promote happiness. Research shows that using money to buy experiences rather than things, using it to help others or to develop or deepen relationships, and buying time by hiring others to do things you don't like to do will add to your overall well-being. You can read more about how to increase your happiness with money here.

Conclusion

Winning a Powerball or Mega Millions jackpot is life-changing. While challenges come with having great wealth, it also has many upsides, including living in a nicer house, taking better vacations, helping family and friends financially, and giving money charitably to improve the world. If you assemble an appropriate team and plan ahead, your jackpot win will be a positive event for you and your family.

St. Louis Trust & Family Office is an independent, multi-family office and trust company that advises clients on more than \$10 billion of investment assets and more than \$12 billion of total wealth. Founded in 2002, St. Louis Trust & Family Office provides holistic, high-touch client service including customized, independent investment management and a full range of family office and fiduciary services. The firm serves a limited number of clients with substantial wealth in order to maintain very low client-to-employee ratios. Visit stlouistrust.com to explore how the firm manages complexity with unmatched expertise and focuses on Family, Always.