

# Dealing With an Inheritance

After receiving an inheritance, you need to determine how to incorporate those assets, whether stocks, bonds, real estate, or some other asset, into your finances. Consider these points during that process:

- **Determine what you will receive and when.** Inheritances don't typically come in the form of one check. You are likely to receive pieces of different assets over a period of time. Work with the estate's executor to determine what assets you are likely to receive and when you can expect them.
- **Resist the urge to spend the inheritance.** You may be tempted to spend your inheritance on things like a new car, an extravagant vacation, or remodeling your kitchen. First take a look at how the inheritance would help you with your longer-term goals, such as funding your retirement or your children's college educations.
- **Decide how these assets fit in with your current assets.** If an inheritance is significant, it may drastically alter your asset allocation. You first need to decide if your original asset allocation is still appropriate and then determine how to move closer to your targeted allocation.
- **Understand the tax implications of inherited assets.** Under current law, inherited assets receive a step-up in basis to fair market value at the date of the original owner's death. Any gains from the sale of inherited assets are subject to the long-term capital gains tax rate, regardless of how long you personally owned the asset. Thus, selling inherited assets soon after receiving them typically won't result in large capital gains taxes. If you need to sell assets to bring your asset allocation in line, you should first consider inherited assets before selling your own assets.
- **Review each inherited asset to determine whether it is appropriate for your financial goals.** Consider selling assets that won't meet your financial goals or that you don't have the expertise to manage. Don't keep inherited assets for sentimental reasons. You're not questioning the investment capabilities of the person who gave you the asset when you decide to sell it.

If you'd like help evaluating inherited assets, consult with your financial adviser.

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