**Making the Most of Your Inheritance**

In the United States, an estimated $40 trillion will be passed down from one generation to another in the next 40 years. Unfortunately, [80% of all inheritances are spent within ten years](https://hermoney.com/protect/estate-planning/5-things-you-should-know-about-inheriting-money/)!

How can you avoid this pitfall? And what should you do with your inheritance? Let’s take a look.

**Taxes and Other Legal Requirements**

It’s important that you understand all of your tax obligations and other legal requirements associated with the inheritance. This means filing any necessary paperwork as soon as possible, such as estate tax returns or trust documents. It is also important to consult with a lawyer or accountant who specializes in estate planning so that you understand all of your rights and responsibilities as an heir.

**Pay Off Debt**

If you have any debt, such as student loans or credit card balances, one of the first things you should do with your inheritance is pay them off. This will free up money in your budget that can then be used for investments or other goals.

It’s also a good time to make sure your emergency fund is where it needs to be. A good rule of thumb is to have at least six months worth of living expenses readily available if you should need it.

**Make a Financial Plan**

Once the legal aspects are taken care of, it's time to start thinking about investing your newfound wealth. Before investing any money, you should develop a financial plan that outlines your goals and objectives for your investments over the long-term. This plan should include an asset allocation strategy that takes into account your risk tolerance and investment horizon.

Once you have established an investment plan that works for you, it's time to begin researching potential investments that can help you meet those goals. This could include stocks, bonds, mutual funds, real estate investments or private businesses - depending on what type of return you're looking for and how much risk you're comfortable taking on.

This is where a financial planner can be a great benefit to you. A professional advisor can provide unbiased advice tailored specifically to your situation while helping guide your decision-making process when it comes to managing large sums of money. They can also provide guidance on topics such as retirement planning, taxes, insurance needs and more - which makes them essential partners when dealing with major life events like inheritances or other forms of wealth transfers.

**Moving Forward**

Inheriting money does not need to change who you are or how you live - but it does give you more freedom and flexibility when it comes to managing your finances and having control over what happens in the future. It’s helpful to remember that people inherit money for many different reasons - whether it was meant as security or simply as an act of love - so making informed decisions about what to do with this newfound wealth is the best way to honor your loved one.