Easy Come, Easy Go

When SK Camille's father died, she unexpectedly inherited $70,000. To her, that was a fortune. But within a year, she'd spent all but $12,000. Despite the fact that she desperately needed the money for basic living expenses, she blew it on things like travel, first-class accommodations, dance classes, and theater tickets. She donated some to charity and gave away some to friends. Twelve months later, over 80% of her inheritance was gone. [i]

SK is not alone. Studies indicate that many heirs quickly spend down their inheritance. One study found that a third of people who received an inheritance lost all of it and more within two years. "The vast majority of people blew through it quickly," said Jay Zagorsky, an economist and research scientist at The Ohio State University in Columbus, Ohio, and author of the study, which was based on survey data from the Federal Reserve and a National Longitudinal Survey funded by the Bureau of Labor Statistics. [ii]

Lottery winnings are another example of the transient nature of money. According to freelance journalist Michelle Crouch, "Life after winning the lottery may not stay glamorous forever. Whether they win $500 million or $1 million, about 70 percent of lotto winners lose or spend all that money in five years or less." [iii]

Money is ephemeral. As we are told in Proverbs 23:5 (NKJV), "Riches certainly make themselves wings; they fly away like an eagle toward heaven."

God designed humans to work. He intends that we earn our wages by investing time, energy, and effort in meaningful ways that benefit others. (See Genesis 2:15 and 2 Thessalonians 3:6–10.) When we work to earn something, we tend to appreciate it more and manage it more carefully.

My father taught me this lesson when I purchased my first car—a red 1970 Opel Kadett wagon with wood trim. He could have bought the car for me. (It cost $800.00.) But instead, he cosigned a loan with me, encouraging me to make the payments and cover the expense of the registration, insurance, gasoline, and maintenance. As a result of my participation, I gained a much deeper appreciation for that car. I washed it regularly, bought a steering wheel cover, stereo, and some other fun accessories, and viewed the experience as a rite of passage. It was my car. I had earned it. And that made it special.

In contrast, money that is gained quickly tends to disappear quickly (Proverbs 20:21). When it falls into our laps, we tend not to value it as highly, and it can be easy to spend it as quickly as it came to us.

Take, for example, the transfer of an IRA. Many people work for years to build up a retirement nest egg. They live frugally so that they can put away a small portion of their paycheck on a regular basis. They continue to contribute to the fund over the years, adding larger and larger amounts as the income allows. They invest carefully, ride out ups and downs in the market, and finally reach the point at which they can enjoy their retirement. Through those golden years, they withdraw slowly and carefully, making sure not to spend down their funds too quickly.

Then they die and leave that money to their children. The children did not work for it and do not value it the way their parents did. They inherit the funds and, in most cases, take a lump sum distribution and spend it all within a few short years. Easy come, easy go.

Most would agree that this is not a wise approach to money. It doesn't honor the care with which the parents saved and managed those funds. It does little to benefit the children who blow through it quickly. And it probably does not reflect wise stewardship to the One who owns it all and has entrusted it to His stewards.

So what can we do? Is there a better way? Consider the following suggestions for transferring funds to family members:

1. Manage your gift with a spendthrift trust.

Rather than transferring cash or assets to family members all at once, the trust releases funds incrementally over time. While the structure is flexible, many opt for an annual income or for lump sum distributions to be made at certain ages, such as 25, 28, and 30.

2. Give to older beneficiaries using a Charitable Gift Annuity.

If you have parents, siblings, or other senior loved ones who may outlive you, and you wish to provide for them in some meaningful way, a Charitable Gift Annuity could help. It will pay a fixed income as long as they (and spouse) are still living. At their death, any remaining balance reverts to the charity with whom the annuity was established. You can also establish a Deferred Gift Annuity for younger family members, with payments scheduled to begin when they reach age 65.

3. Earmark the funds for a specific purpose.

Your bequest could be designated for higher education, a down payment on a home, or starting a business. You might even consider a matching fund that matches earned wages with trust dispersions, to support the child's work ethic.

4. Teach your children wise stewardship.

Help them understand that our wealth does not belong to us, but rather to God; it is our responsibility to steward that wealth well for His glory. When you give away those God-given resources at death, you have an ongoing responsibility to see that those resources are stewarded well. If we plan to pass along resources to the next generation, we have a duty to train and disciple those loved ones to steward them well.

Money that comes to us quickly and easily can also fly away just as quickly. This tendency is true for all of us, and it is true for our loved ones. When creating your estate plan, consider not only the amount you choose to give to your heirs, but also the way in which you will give it to them. That money will likely be put to better use. And they will thank you.

[i] SK Camille, “What a $70,000 Inheritance Taught Me about Money and Myself,” The Startup (blog), August 29, 2019, https://medium.com/swlh/what-a-70-000-inheritance-taught-me-about-money-and-myself-baa3f9e02f4e.

[ii] Jay L. Zagorsky, “Do People Save or Spend Their Inheritances? Understanding What Happens to Inherited Wealth,” Journal of Family and Economic Issues 34, no. 1 (March 1, 2013): 64–76, https://doi.org/10.1007/s10834-012-9299-y.

[iii] Michelle Crouch, “13 Things Lotto Winners Won’t Tell You: Life After Winning the Lottery,” Reader’s Digest (blog), January 4, 2022, https://www.rd.com/list/13-things-lottery-winners/.

Estate and gift planning information is offered as a service to our donors. Communications with Gift Planning staff are not intended as, nor should they be construed to be, legal or tax advice and are offered for illustrative or educational purposes only. Be advised that content may be relevant and accurate at the time it was created. However, tax laws change from time to time, and the information provided may or may not accord with current laws. Therefore, it is expressly recommended that you consult an attorney, tax specialist, financial advisor, or other qualified professional to determine how a gift or estate planning decision might affect your circumstances so that they can provide the latest tax laws and information for your situation.