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4 lottery winner mistakes you can learn from

By [Matt Alderton](#)

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Evelyn Basehore spent \$5.4 million not from one, but two Pick Six jackpots, on gambling. It took William “Bud” Post just three months to blow through his first annual payment of nearly \$500,000 after a \$16.2 million jackpot win. Michael Carroll spent his \$15.5 million in lottery winnings on drugs, gambling and prostitutes.

Unfortunately, these unlucky ducks aren't the exception. They're the rule, according to a 2010 study by economists at Vanderbilt University, the University of Pittsburgh and the University of Kentucky. They collected [data from nearly 35,000 Florida lottery winners](#) between 1993 and 2002 and found that lottery winners file for bankruptcy at nearly three times the rate of the general population.

“The number of lottery winners who go broke is sadly predictable,” says investment adviser Tony Fiorillo, president of Asset Management Strategies in Fishers, Indiana. “The fact that people buy lottery tickets in the first place means they're not really good with math.”

Indeed, the odds of winning the Powerball are 1 in 175 million — less than the [odds of being killed by a vending machine](#), which are 1 in 112 million.

Still, people keep on playing, and winners keep on losing. When they do, the results can be devastating. For onlookers, there's a silver lining: The mistakes they make managing their money can help you do a better job managing yours.

Whether you're planning for tomorrow or budgeting for today, here are four common lottery-winner mistakes you can learn from:

1. Spending without a plan

Lottery winners are so focused on the rush of today that they often forget about the reality of tomorrow, observes Dominique Broadway, a personal finance coach in Washington, D.C. “I've seen people blow a lot of money,” she says. “When they win money, people initially want to satisfy their emotional urges by buying all the things they could never buy. Unfortunately, when they do that, the money can go very quickly.”

A common purchase, for example, is a home. Although they acknowledge the purchase price, lottery winners often fail to consider property taxes and maintenance, which on large properties can consume a sizable chunk of their wealth both immediately and over time.

“You need to make a plan for every single dollar you have,” continues Broadway, who says financial planning can help people foresee obstacles in order to make their money last.

Plans should include not only how much you spend, but also how much you save, adds Jeff Motske, president and CEO of Trilogy Financial Services in Huntington Beach, California. “Even if you win a big chunk of money, you need to live within a budget that allows you to save and put money away,” he says.

“The fact that people buy lottery tickets in the first place means they're not really good with math.”
—Tony Fiorillo, Asset Management Strategies

2. Being too generous

Lottery winners have a hard time saying “no” — and that works against them, according to Fiorillo, who says it also can work against you. “I've seen both lottery winners and non-lottery winners blow through their money because they couldn't say 'no' to their family and friends,” he says. “If your kids and grandkids knew you were going broke giving them your money, they wouldn't accept it.”

That isn't to say you shouldn't help loved ones in need. “If you want to help out Mom and Dad or your kids, there's nothing wrong with that, but you have to take care of yourself before you take care of others,” Motske explains. “It's like when you're on an airplane and the flight attendant says to put your own oxygen mask on first. If you take care of others before you take care of yourself, you're going to put yourself in a financial hole — and then you won't be able to help anyone.”

3. Making bad investments

Lottery winners have as a hard time saying “no” to investment opportunities as they do relatives, according to Broadway. “When people win money, people often say to them, ‘Oh, I have this really awesome business idea,’” she says. “But investing in every idea that crosses your path will lead to a series of bad investments and lost money.”

Instead of good ideas, lottery winners and the rest of us should invest in good returns, according to Fiorillo, who says most fortunes — whether they're won, inherited or earned — can only last if they're invested in vehicles that help them grow faster than they're depleted. “The toughest conversation I have with my clients is the conversation we have when they're spending more money than I can make for them,” he explains. “If they want to spend it all in a year or two or three, that's up to them. But it's my job to make sure they don't delude themselves into thinking their money will last forever if they spend more than their investments make. It's absolutely not going to.”

4. Surrendering to emotions

Perhaps the biggest mistake lottery winners make is getting too excited too quickly. They win the money; then they hit the mall. Instead, they should wait — and so should anyone who is making, spending, investing or saving large sums of money.

“You need to let your emotions settle in order to make good decisions,” Motske concludes. “When you do that, good things happen.”

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