

Tough to win, easy to blow lottery riches

By M.S. Enkoji -- Bee Staff Writer - Published 2:15 am PST Monday, January 31, 2005

"Money just draws flies."

- William Post, a Pennsylvanian who won \$16.2 million in 1988 and now lives on Social Security

An Orange County man walked into a 7-Eleven earlier this month and bought a California Lottery ticket, helping to pump up the jackpot to a dizzying \$81 million.

For most who buy into the twice-weekly state lottery, that's where it ends - buy and lose.

Not for 25-year-old Colin McLean: The golden goose dumped the \$81 million egg into his lap. After turning in his winning ticket, he vowed to put his fortune to good use, charity and all.

So did Jack Whittaker.

The West Virginia man won the country's largest single jackpot in 2002. Since then, he's been arrested for drunken driving, garnered some ill fame while patronizing night clubs, then buried his granddaughter after she died from a drug overdose in December.

Winning isn't everything, financial advisers say, especially if you aren't prepared for the upheaval. Some players are destined to lose even before they buy a ticket, because they lack the stability to manage money - any amount - and can't exercise caution in the face of sudden riches, say experts in money management.

"The truth is, big-time money is the loss of life as you know it. It's a whole different ball game; life shifts quickly," said Susan Bradley, author of the book "Sudden Money: Managing a Financial Windfall."

"A real strong sense of self and family is the single most common trait for success," said Bradley, a Florida certified financial planner and founder of the Sudden Money Institute.

She recalled a couple, both government employees in their late 30s, who continued to work in spite of new riches. They didn't want their children to get the idea that having money meant sitting at home watching television.

Bad money habits are not resolved with a windfall; they're only magnified, said a Woodland Hills certified financial planner.

"You don't have to win a lottery to have this problem," said Neal Frankle, who counsels actors and professional sports players. He also wrote a book: "Why Smart People Lose a Fortune, Five Steps to Restoring your Wealth and Sanity."

His clients also include three of 12 bus mechanics from Southern California who had pooled their lottery bets for six years before winning \$12 million six years ago, Frankle said. Taking a lump-sum payoff, they each ended up with only about \$300,000 each after taxes.

"But they were thinking like millionaires and they were spending like millionaires," he said.

They spent money on Harley-Davidsons, down payments on homes for relatives, and on and on until some were broke, even in debt, within a year, he said. Then three of them hired Frankle to "salvage" what they could.

"As a condition of working together, they had to understand that the income and spending had to stay in line," he said.

Now, Frankle scrutinizes spending, giving a thumbs up or down.

"It doesn't matter how much money you have, you have to understand the relationship between assets, income and spending," he said. "The happiest are those who have a plan and execute it. It's not about having the most toys."

There appear to be no definitive studies on how many lottery winners squander their fortunes and sink into misery, said Frankle and Bradley and lottery representatives.

The California Lottery has never researched the long-term outcome of winners and neither have other state-run lotteries, said Rosa Escutia, a lottery spokeswoman.

She pointed to success stories such as the San Jose couple who created a charitable foundation in 2001 after winning \$141 million in the state's second-largest pot, Escutia said.

"These stories just keep repeating themselves," she said.

Whittaker, the West Virginia man who won \$315 million in 2002, lavished his granddaughter with her own apartment, a Hummer and a Cadillac, according to published reports. She was 17 when she died from an overdose in December. She reportedly hired one of her friends to be her driver for \$500 a day - until he died of an overdose in Whittaker's house.

Whittaker himself was robbed at a strip club. Thieves have broken into his vehicles and his home. The charitable foundation he started has folded.

As his troubles mounted, he publicly expressed regret for the notoriety in the wake of his big win.

Bradley advises clients hit by sudden windfalls - whether through inheritance, business venture or lotteries - to do nothing. At least at first.

"The No. 1 thing is to give yourself some space," she said. In her book, she calls the initial dormant period a "decision-free zone."

Only make pressing decisions, she said. Then assemble a team of advisers, which could include attorneys, financial planners, accountants and even a psychologist, Bradley said.

Resist the temptation to immediately start opening the checkbook even for the dearest reasons, such as the needs of family and friends, or a church, she said. "Not that you shouldn't do those things eventually, but just think it out," Bradley said.

Frankle, who also advocates an initial moratorium on spending, said to define goals and expenses. If traveling with your family is a dream goal, earmark money for travel, he said.

"Once the money is spent, it ain't coming back," he said.

It is also mythical that already economically advantaged, educated people will fare better with sudden wealth than the impoverished, said Bradley.

"I've seen divorce attorneys blow their settlements," she said.

A Monterey Park high school dropout and an immigrant from Mexico who ran his own business started collecting bottles and cans to raise money for scholarships for students at an impoverished Los Angeles elementary school in the mid-1980s. Andy Vargas would give 85 cents of every dollar he made to the fund and the remaining 15 cents went to the lottery.

Then, 17 years ago, he won \$5.2 million. He used some of the money for the scholarship fund and created the Vargas Foundation, and started an annual charity golf tournament that benefits the scholarship fund, said Frank Binch, who runs the foundation. He spoke for the ailing Vargas, who lives in suburban Los Angeles.

Vargas already had his business and grown children when he won, Binch said.

"He had some clear ideas on what his life was to be like, and charity was a piece of that," he said.

Every year, at least a dozen former students of Glen Alta Elementary School in Lincoln Heights in Los Angeles County, come back with proof they are enrolled in some type of higher learning institution, including trade schools, to collect a scholarship, Binch said.

As for Vargas, he allows himself more time on the golf course and an occasional new Cadillac. That's it.

"His purpose was to give these students a dream," Binch said.