

What should Mike do with his \$10,000 inheritance?

A 65-year-old retiree with limited income wonders if it's time to spend



by Janet Gray May 21, 2018

Q. I just inherited \$10,000. What should I do with the money? I am 65 years old and retired. I live on a very limited income which doesn't allow me to enjoy some of the more frivolous things in life. Any good ideas for the money?

– *Mike W.*

A. Mike, here is some general advice when anyone receives a lump sum amount. First look at what debt you might have. If you are paying any consumer debt (credit cards, loans), you should look at using the \$10,000 towards that so you can reduce debt payments and increase your cash flow.

If you have no debt, then look ahead and see what larger expenses are on the horizon. If you are expecting costs like home or car repairs, then you should set aside this money into a high-interest savings account for when the repairs happen. If you don't own a home or car, then look to spend the money on something that is meaningful to you. Perhaps a trip? Or maybe you want to save the \$10,000 for your future or your heirs.

And finally, you should consider investing it. Add it to a Tax-Free Savings Account (TFSA) if you have the contribution room and invest in a longer-term investment that will give you solid investment returns such as a broad-based, low-fee index fund or exchange traded fund (ETF) that contains both equities and fixed income. Vanguard has several you can choose from here: <https://www.vanguardcanada.ca/individual/indv/en/product.html> or a BlackRock iShare ETF would also be suitable <https://www.blackrock.com/ca/individual/en/learning-centre/etf-education/what->

is-an-etf?switchLocale=y&siteEntryPassthrough=true. Both sites also have a good description of ETF investing and are a good resource for future investing.

Of course, it makes perfect sense to do a little of both— buy a little something for yourself that is frivolous as well as put the remainder in a TFSA in a longer-term investment.

Whatever you decide, take your time to make the best choice for you.