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U.S. SECURITIES AND EXCHANGE COMMISSION

Making the Most of Your Lump Sum Payment

Have you received a large lump sum payment (https://www.investor.gov/introduction-investing/investing-basics/glossary/lump-sum-payment) or financial windfall? A lump sum payment can come in the form of a bonus from your job, an insurance claim or settlement, a tax refund, an inheritance, or even military benefits or Native American tribal payments. Lump sum payments can provide a long-term boost to your financial situation if you take steps to reduce debt and to bolster savings and investments. To make the most of a lump sum payment, consider these tips.

Pay Off High-Interest Debt

Paying down high-interest debt (https://www.investor.gov/introduction-investing/investing-basics/save-and-invest/pay-credit-cards-or-other-high-interest) , like credit cards or payday loans, is one of the best "investments" you can make because the interest rate you pay is usually significantly more than the return you're likely to receive from an investment. One strategy is to pay off the highest interest rate cards first and work your way down.

Start an Emergency Fund

An important step to begin building wealth is to have a "rainy day fund" for unexpected expenses. Having an emergency fund with a bank or credit union can make it less likely that you'll go into debt if, for example, your car needs a repair or your phone screen cracks. An emergency fund will give you a cushion of financial protection against the unexpected.

Begin Making Regular Contributions to an Investment

Money in the bank is useful to pay bills and serve as an emergency fund, but investments usually give you a better opportunity for growth over time.

- Before investing, define your most important short, medium, and long-term financial goals, and set up savings or investment accounts to align with those goals. Choose investments suited to meeting each of your goals based on your time frame and tolerance for risk. Learn more at Investor.gov's Introduction to Investing. (https://www.investor.gov/introduction-investing)
- Some types of investment accounts have tax advantages. These include individual retirement accounts (IRAs) (https://www.investor.gov/introduction-investing/investing-basics/glossary/individual-retirement-account-ira) and workplace retirement plans, such as 401(k) (https://www.investor.gov/additional-resources/retirement-toolkit/employer-sponsored-plans/traditional-and-roth-401k-plans) accounts. 401(k) contributions must come from payroll, not from your lump sum payment, but your employer might match your contributions up to a certain percentage. If they match, that's free money for you. Other investments that may offer tax advantages include 529 College Savings Plans (https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins/updated-16) and ABLE Account (https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins/updated-6) s for disabled dependents.
- Understand that all investments carry some degree of risk (https://www.investor.gov/introduction-investing/investing-basics/what-risk) , so avoid putting all your eggs in one basket. While tax advantages make IRAs and 401(k) accounts a common starting point for many investors, there are many other investments that can be part of a diversified portfolio, including mutual funds (https://www.investor.gov/introduction-investing/investing-basics/investment-products/mutual-funds-and-exchange-traded-1) and exchange-traded funds (ETFs) (https://www.investor.gov/introduction-investing/investing-basics/investment-products/mutual-funds-and-exchange-traded-2) , I-bonds (https://treasurydirect.gov/savings-bonds/i-bonds/) or other U.S. savings bonds (https://www.investor.gov/introduction-investing/investing-basics/investment-products/bonds-or-fixed-income-products/savings) , and certificates of deposit (CDs) (https://www.investor.gov/introduction-investing/investing-basics/glossary/certificate-deposit) from banks or credit unions that might offer increasingly higher interest rates for longer saving commitments.
- Pay attention to fees. As with anything you buy, there are fees and costs associated with investment products (https://www.investor.gov/introduction-investing/getting-started/understanding-fees) and services. These fees might seem small, but over time they can have a major impact on your investment portfolio. Find out what you may be charged by reading what your investment

professional provides you – and by asking questions. Learn more at Investor.gov's How Fees and Expenses Affect Your Portfolio. (https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins/updated) Try out FINRA's Fund Analyzer (https://tools.finra.org/fund_analyzer/) to compare fees and analyze information on over 30,000 mutual funds, ETFs, exchange-traded notes (ETNs), and money market funds.

Invest in Yourself – Increase Your Earning Potential

A lump sum payment not only allows you to save and invest money, but it might empower you to invest in yourself. Consider improving your academic or professional credentials by getting a GED degree, college degree, or technical skills/trade certifications that could lead to a higher paying job over the long term.

Consider Seeking Guidance From a Licensed, Registered Investment Professional

Investment professionals can help with financial planning. Understand the differences between types of investment professionals (https://www.finra.org/investors/investing/working-with-investment-professional) so you can decide which type is right for you. Always ask questions about the services they offer (and don't offer) and how they're paid. Before you consult any investment professional, make sure they're licensed and registered. Do a free and simple background check on Investor.gov (https://www.investor.gov/introduction-investing/getting-started/working-investment-professional/check-out-your-investment) to find out if your investment professional and his/her firm are licensed with the SEC, with a state(s), and/or with FINRA (the Financial Industry Regulatory Authority). You can also find out if they have customer complaints or disciplinary actions.

Avoid Fraud – Know the Red Flags

Scams are everywhere, and some of them may start with a seemingly accidental text or DM that soon leads to an offer to make a great investment. These are called "relationship scams" and you can learn more about them here (https://www.investor.gov/protect-your-investments/fraud/types-fraud/relationship-investment-scam) . Investments that promise high returns with little or no risk are likely scams, and the people who promote these bogus investments may be celebrities, finfluencers, or paid actors. Having FOMO can make you vulnerable to bad money moves. Remember these red flags of fraud so that you are less likely to engage with a scammer or bogus investment:

Red Flags of Fraud

Learning how scams work can help you protect your money. Be wary of investment opportunities that you didn't seek out. Watch out for these red flags:

1. **Promises of high investment returns with little or no risk**
2. **Pressure to act now**
3. **Fear of missing out or FOMO**
4. **Fake testimonials**
5. **Promises of great wealth**
6. **Suspicious payment methods**

Learn more about how to Protect Your Investments (https://www.investor.gov/protect-your-investments) .

Be Diligent When Using Financial Technology Products and Services

Financial technology, or fintech, is a quickly growing sector within the financial services industry. Mobile apps designed to assist individuals with investing, budgeting, borrowing, and other financial needs have grown in popularity. Here are four considerations for choosing a fintech app or website:

- Determine the purpose of the app and whether it suits your needs. For example, some are better suited for experienced investors who are used to making investing decisions on their own. Others cater more to novices and offer more support and education tools. And some apps might nudge you in a way that leads to more frequent trading. Research has generally shown that frequent trading is more harmful than helpful to your investment returns over the long term.
- Pay attention to fees and associated costs. Some fees might not be immediately clear, and some free apps might try to steer you toward other products, like loans or credit monitoring services, that may require payment.
- Exercise common sense and caution, as with any other online experience. This means using a secure network, safeguarding passwords, and opting into multifactor authentication.
- Pay attention to how much of your information and data the app is able to access. Some apps will aggregate all of your financial accounts onto their platform and maintain this information. This can be a convenient way to

manage your money, but it also leaves you vulnerable if the app is hacked or its security is compromised.

The SEC's Office of Investor Education and Advocacy (OIEA) provides a variety of services and tools to address the problems and questions you may face as an investor. We cannot tell you what investments to make, but we can help you to invest wisely and avoid fraud. For help, visit help.sec.gov (https://help.sec.gov/s/) .