

If you're in line for some Exxon money, here's the first rule:

Don't be stupid!



There are about 32,000 fishermen, processor workers, and others in line to receive a total of up to \$5 billion as part of a suit for punitive damages following the 1989 crude spill by the Exxon Valdez. The latest damage estimate by the courts is \$2.5 billion, but with interest the total would be about \$5 billion. If the Supreme Court declines to hear an appeal of the judgment, the oil giant must begin writing checks. The court could announce its decision as early as November, so we asked Jim Harvey, who has offices in Seattle and Anchorage, to offer some advice.

The last thing you'll want someone to say about what you did with your *Exxon Valdez* settlement money is that you pissed it away or did something stupid with it.

It's just like that bumper sticker you've probably seen in Alaska that says, "Please God, just one more pipeline.... I promise I won't blow it this time."

Our advice? Do your planning now so that whatever amount you have coming from the settlement is put to the highest and best use for you, your family, and your long-term financial stability.

Financial planners often note that most Americans spend more time planning their vacations than their retirements. That's probably true — and if it isn't, it feels like it is. It means that most people just muddle through without making sensible, well-conceived retirement plans.

There are some issues, largely beyond your control, that will affect what the settlement means to you and that may skew the settlement numbers greatly one way or the other.

First is the question of how much interest is due on the settlement. This would affect the tax due on your settlement check.

Second, there are some tax-law changes which, if adopted, could provide tax relief to the plaintiffs, including the proposal to allow them to contribute all or a significant amount of the proceeds to your Individual Retirement Account. That

could be a significant boost over the regular limits on annual contributions to an IRA. Under the pending proposal, (Senate Bill 552, 110th Congress), you need *not* establish the IRA before you get the settlement check to ensure it is a deductible contribution.

Finally, there is the question as to whether vessel owners will be liable to pay self-employment tax on the settlement proceeds paid to crew members as well.

But some things clearly are under your control and could make a big difference in how you view the settlement a few years down the road. Consider doing the following things now, so you may have a positive outlook on the settlement in the future:

- Plan now, well before the check actually arrives. Having your ducks in a row will reduce the likelihood that you'll make impulsive decisions that you might soon come to regret.
- Think long term about what you really want for yourself, your family, your kids' education, and your business five to 10 years from now and beyond. Yogi Berra is rumored to have once said, "If you don't know where you're going, you'll probably end up somewhere else." A lump-sum can really help you reach your destination, provided you know where you're going.
- Seek professional tax advice. Everyone's situation is different, depending on income history, business structure, and the state (or states) where you live or operate. It is probably best to engage a professional tax advisor in your principal state of residence who will be familiar with your personal and business circumstances, instead of relying on the incomplete knowledge of well-meaning friends or associates.
- Hire an investment professional/financial planner. There is a school of thought (and a lot of advertising dollars) promoting the idea that you can be your own investment advisor. Maybe you can, but your results may not be as good as you

might experience with a seasoned investment professional or financial planner. If they are worth their salt, they can provide advice or guidance not only on how to plan for your future, but to know what the best investment vehicles and planning techniques are to get you there as quickly as possible. Get your financial house in order, regardless of whether the settlement occurs or not.

- Advocate for yourself. There are a host of lawyers and industry representatives advocating for the *Exxon Valdez* plaintiffs, but your voice is critical and deserves to be heard. Some of the proposed tax law changes, in particular, could represent very significant savings to you, perhaps in the hundreds of thousands of dollars in saved taxes.

Finally, have *some* fun. Buy the Harley or the new car or truck. Take the family to Europe or Hawaii. Do something that you can look back on and identify as clearly the thing you did with the *Exxon Valdez* proceeds.

That's the same advice we give to our clients who are entertainers, professional athletes, and artists who experience their first *really* big payday. But we also suggest that they limit the "splurge" to 10 to 15 percent and commit the rest to a long-term investment program with the potential to enrich their lives for decades to come. ⚡

Jim Harvey, CIMA, is the president of Opus 111 Group, a wealth management firm with offices in Seattle and Anchorage. He is a guest lecturer at the Wharton School of Business at the University of Pennsylvania, the Haas School of Business at the University of California, Berkeley, and Stanford University and has authored articles for On Wall Street magazine, Anchorage Daily News, and Registered Representative magazine. Tom Zitzmann, CPA, PFS, an associate of Opus 111 Group, and manager of the Anchorage office, also contributed to this article.