

The Downside of the Lottery

We all dream of what we would do with several million dollars if we won the lottery. We even dream if we don't play the lottery. But for many the dream becomes a nightmare, and the bigger the win, the bigger the nightmare.

Approximately one-third (some say 70%) of multi-million dollar prize winners go bankrupt within seven years.¹ How could this be? A few become targets of killers who want to steal the money. All major winners are beset by grifters, swindlers, and thieves. Many buy multiple homes so they can move around and try to stay away from all those who want money. They get unlisted phone numbers, but frequently have to change them. Whatever problems they had before, they have after. If one is in a bad marriage, the win provides the money for divorce. However, the fight over money can be ugly. If a winner was a gambler before, they gamble afterwards in larger amounts. They splurge on clothes, jewelry and fancy cars, and become targets for thieves. If a winner was a drug user before, they increase the intake to their detriment. After losing all the money, a few commit suicide.

Lottery winners are largely poor, disproportionately minority and below average in education. Those are the people who play the lottery, and thus provide the winners. The poor don't suddenly become brilliant investors. Minorities do not suddenly become accepted by high society. High school grads do not suddenly know how to live wisely with sudden wealth. They just have a different set of problems. Many winners do get sound financial advice, change their lives a little, keep a low profile and live without financial worries. But a sizable number go wild and lose it all.

Consider a few specific cases:

- Jeffrey Dampier won \$60 million in the Illinois Lottery. He bought homes and cars for many family members. He moved to Florida, started a gourmet popcorn company that did quite well and provided jobs for a number of family members. He went to help his sister-in-law and her boyfriend who supposedly had car trouble. The two kidnapped him at gunpoint and killed him. They were eventually captured, tried and imprisoned for life.²
- Barry Shell won \$4 million dollars in the Ontario Lottery in 2009. When his photo was shown with the winning check, police noticed and arrested him on previous warrants for theft and possession of stolen property. He handed the money over to a friend who at least paid his bail until sentencing. If the friend did not spend the money he was truly remarkable.³

- Fred Toupous, Jr. won \$57 million in the 2008 Michigan Lottery. He took the \$33 million lump sum payment. As is often the case, Toupous had a previous record as a sex offender and was incarcerated until 2006. He spent several million on his own small island in one of the Great Lakes, and more on a lavish home. No one knows where the rest of the money went.⁴
- Abraham Shakespeare won \$30 million in the Florida Lottery in 2006. Friends and family hounded him for money to the point where he told his mother he wished he had never won, In 2009, he met a new friend, Dorice. She convinced him to transfer his assets to her and she would protect him from the constant hounding. Shortly after he did this he was found dead. Three years later she was convicted of his murder and was sent to prison for life without parole.⁵
- David Edwards, a former drug addict and felon, won \$41.4 million in a Lottery in 2001. He and his wife bought a \$1.6 million house, a \$200,000 Lamborghini, a Lear jet, a Limo business, a fiber optics company, and three race horses. He and his wife fell back into drug use and got into legal tangles. He lost it all including the wife, and was last living in a storage building.⁶

The stories go on, hundreds of them. What should have been a way out became a trap for winner after winner. Some spend tens and then hundreds of thousand until the money is gone. Most take the up-front cash payout, which induces unsustainable spending. On the other hand, the annual payments tend to break the pace of spending. Some never pay off their debts and go through the money and still are in debt. Some buy everything their family and friends want and burn through the money as if it were endless. Others back every crazy business plan brought to them. Most throw away the concept of a budget and measured spending. Some assume that the law no longer applies to them.

Winners with shaky marriages get divorces. At least a fourth of them do. Most winners are targets of scams, theft and as indicated above, even murder. The best procedure is a middle class life style in a middle class neighborhood and a non-showy attitude toward life.

The good news is that most of you will never have to worry about winning the lottery.

1. www.marketwatch.com/story/why-lottery-winners-go-bankrupt-1301002181742 Of multi-million winners, estimates range from one-third to 70 percent of the winners going broke. See Joe Ogg, "Twelve things not to do if you win the lottery," www.usatoday.com/story/money/personalfinance/2013/08/25/what-not-to-do-lottery-winners/2696845/
2. <http://abcnews.go.com/US/lottery-jackpot-winners-lost-big/story?id=36313525>
3. www.businessinsider.com/10-lottery-winners-who-lost-it-all-2010-5?op=1 ibid.
4. ibid.
5. <http://abcnews.go.com/US/lottery-jackpot-winners-lost-big/story?id=36313525>
6. ibid.