



### You Just Won Big!

Congratulations as you begin a new and exciting chapter of your life! We always say that winning a lottery prize should never be a nightmare or complicate your life. If you plan well, surround yourself with trusted advisors and make smart decisions this will be one of the best experiences of your life.

You have many important decisions ahead of you, so we at the California Lottery thought we'd share some key information with you that may be helpful in the weeks to come. This detailed booklet explains just about everything you need to know now that you've won a large sum of money. We realize that you have a lot on your mind. Take a moment to review and consider these suggestions and recommendations, sooner, rather than later.

Below are some key points to consider when getting started:

- There will be immediate interest in your story. According to California public disclosure laws, your name is public record. That means the media will likely attempt to contact you to ask a lot of fun questions about your win! Their efforts are made easier in this day and age of internet search engines. With that in mind, we urge you to consider taking part in media availability. We'll take care of everything along the way by planning and guiding you through the media process. Winners have been better able to satisfy these media requests in one shot and get on with their lives.
- The name and location of the retailer who sold you the winning ticket, the date you won, and the amount of your winnings are also matters of public record and are subject to disclosure.



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- You can form a trust prior to claiming your prize, but our regulations do not allow a trust to claim a prize. Understand that your name is still public and reportable.
- If you are concerned about people trying to contact you, consider changing your cell and home phone numbers or allowing your voicemail to pick up calls for a few days.
- An attorney can help protect you and your assets. Interview at least three licensed attorneys and select the one you feel most comfortable with.
- An accountant can make sure your taxes are in order year after year (more details inside).
- Interview several Certified Public Accountants. Remember, you will have to pay federal taxes on your win.
- If you plan to invest your money, do so wisely. You may consider the services of a qualified investment planner. Again, interview at least three and select the one you are most comfortable with.
- You may decide you want to hire an attorney, an accountant and an investment planner from three different firms so that they act independently from one another.

### **Remember—you are the boss. They work for you!**

- You will receive many offers to donate, invest or even give away your money. Always consult your experts.
- Spending fast and furious will only fast and furiously separate you from your winnings. Be careful with your newfound wealth!



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**Below are some reputable associations to help you assemble your legal and financial team.**

- Martindale-Hubbell Directory: [www.martindale.com](http://www.martindale.com)
- California State Bar: [www.calbar.ca.gov](http://www.calbar.ca.gov)
- The California Society of Certified Public Accountants: (800) 922-5272 | [www.calcpa.org](http://www.calcpa.org)
- National Association of Personal Financial Advisors: (800) 366-2732 or (888) 333-6659 | [www.napfa.org](http://www.napfa.org)
- The Financial Planning Association: (800) 322-4237 | [www.fpanet.org](http://www.fpanet.org)

## General Questions

### How Long Do I Have to Claim My Prize?

Almost all Lottery draw games allow you 180 days from the date of the draw to claim your prize. The only exceptions are the *Powerball*® and *Mega Millions*® jackpots, in which you have one year from the date of the draw to claim your prize. *Scratchers*® prizes can be claimed no later than 180 days from the announced end of game date. Click here to find end of game information: <https://www.calottery.com/scratchers#section-content-2-3>

### When Do I Receive My Check(s)?

If you elected the cash option or if your prize is only offered in a single payment, your check should arrive approximately six to eight weeks from your claim date. If your prize is to be paid in installments, your first payment should be available within six to eight weeks from your claim date. If you choose to have your check mailed to a California Lottery District Office, they will notify you when your check is ready for pick-up. If you choose to receive your SuperLotto Plus®, Mega Millions, Powerball or applicable Scratchers prizes paid in annual installments, future payments will be sent close to the anniversary date of your win. Weekly installment winners will receive 52 payments each year and monthly winners



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get a payment at the same time each month. Payments can be mailed directly to your home address or to your financial institution at your request. For additional information, contact the Lottery's Prize Payments – Annuity Desk listed at the end of this handbook.

### **How Does the Lottery's Payment System Work?**

By default, all Powerball, Mega Millions and SuperLotto Plus jackpots are paid in 30 graduated installments. A winner is given the opportunity to choose the cash value of their jackpot prize within 60 days following their approved claim. The payment option you choose will apply to all claimants in a multiple ownership claim.

In addition, certain Scratchers games also offer an annuitized grand prize. For many games, you may instead elect the cash option. The cash option is a designated percentage of the annuity prize. The cash prize option amount can be found on the back of the Scratchers ticket. Grand prize annuity winners of Scratchers games will receive installment payments as specified by the Lottery for that particular game.

You will select the payment option by filling out a California Lottery Jackpot Election Payment Form. You have the option to fill out this form at the District Office when you claim your prize, or you can have the form sent to you. The form must be notarized and returned to the Lottery within 60 days from the date that your claim is approved for payment if it is not completed at a District Office. This is normally within a day or two of the date you submit your prize claim. Group winners of a jackpot prize must all choose the same payment option if it is not completed at a district office. This is normally within a day or two of the date you submit your prize claim. Group winners of a jackpot prize must all choose the same payment option, otherwise the payments default to annuity payments.

If you choose the cash option, the amount you receive will be less than the announced jackpot. That's because the announced jackpot total is the amount that would be earned if the Lottery invests the cash option amount over 30 years. If you choose the cash option



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for SuperLotto Plus, Mega Millions and Powerball jackpot prizes, you will receive the estimated cash value of the jackpot and not the advertised jackpot amount. If you choose to take the annuity, you will, after 30 years, receive the full advertised amount.

Your first annuity payment, or the single cash option payment, should arrive within six to eight weeks. There are generally no California state taxes for Lottery prizes, but we are required to withhold federal taxes. With an annuity prize, payments are made based on a graduated or a straight payment structure.

### Financial Questions

#### **Who Receives the Interest Earned on this Prize Money?**

The Lottery currently purchases government securities to secure the future payments of your prize. Together, the principal and interest earned by these bonds over a specified time make up the full amount of the prize. In effect, each year a portion of the securities mature and make up that year's payment. For example, on a \$1 million Scratchers prize paid over 20 years, there is approximately \$500,000 in cash (approximately one-half of the entire prize amount) available for the purchase of bonds that will be worth \$950,000 at maturity. The first payment of \$50,000 to the winner is added to \$950,000 to equal the full value of the \$1 million prize.

#### **Will the Lottery Pay Individual Prizes to Group Winners?**

California Lottery regulations allow for individual payments to be made to all members of a player group that wins a Scratchers, *Fantasy 5*, *Daily 3*, *Daily 4*, *Daily Derby*<sup>®</sup>, *Hot Spot*<sup>®</sup>, SuperLotto Plus, Mega Millions or Powerball prize of \$1 million or more, as long as the group consists of 100 or fewer winners. If you are a Lottery group member, you may claim your winnings on a Lottery Multiple Ownership Claim Form available at any California Lottery District Office. All district offices are listed at the end of this handbook.



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The decision to claim your winnings as a group must be made at the time you claim your prize. Group winners must all choose the same payment option.

### **What Will I Pay in Taxes?**

The Internal Revenue Service (IRS) requires the California Lottery to withhold federal taxes from many prizes. However, you'll be happy to learn that there is no California state or local tax withholdings. The withholding rate for federal income tax is based, in part, on a claimant's resident status. The Lottery is required to withhold federal taxes of 24% for U.S. Citizens and Resident Aliens providing a social security number, and 24% for U.S. Citizens and Resident Aliens not providing a social security number.

Claimants who select the "I am NOT a U.S. Citizen and I am NOT a Resident Alien" box on the Lottery Claim Form will have 30% withheld from all prizes.

A winner does not have to be a U.S. citizen in order to claim a prize.

Federal tax rates are subject to change and there may be an additional tax liability depending on a winner's total financial situation. Although state and local taxes are not withheld on any Lottery prize, you may still be liable for any California state and local personal income taxes based on your overall annual income and tax liability. Please consult a professional tax adviser to help you determine your total tax liability.

Tax information may be obtained by contacting the IRS at 1 (800) 829-1040

### **How Does a Lottery Pool Divide the Tax Liability?**

Group winners of Scratchers, Fantasy 5, Daily 3, Daily 4, Daily Derby, Hot Spot, SuperLotto Plus, Mega Millions, or Powerball prizes of \$1 million or more must choose the same payment option, and may use the Multiple Player Ownership Claim Form which allows each group member (up to 100 members) to receive individual payments from which their federal taxes will be withheld.



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Group winners of prizes under \$1 million do not qualify for individual payments from the Lottery. Those winners must select a group representative to file a Lottery Claim Form and receive and distribute the prize to the other group members. In order to accurately assess the group members' individual tax liability, the IRS provides Form 5754 for this purpose and the group representative should ensure each member fills out this form prior to receiving their portion of the prize. IRS Form 5754 must be filed with the California Lottery by December 31 for the tax year in which the prize was paid. Using the information provided on the IRS Form 5754, the California Lottery will issue an IRS W2-G Form by January 31 of the following year to each group member receiving individual payments.

### **What Do I Need from the Lottery in Order to File My Tax Return?**

As a California Lottery winner, an IRS W2-G Form will be mailed to you by January 31 for the previous tax year. This form reports the amount of your Lottery winnings and must be filed with your federal income tax return. You should also keep a copy for your records. Please remember to notify the Lottery's Tax Unit or Prize Payments Annuity Desk if you have changed your address. These phone numbers are listed at the end of this handbook.

### **Is it Possible to Receive More Than One Annual Payment in the Same Tax Year?**

If you claim a large prize paid in installments in late December, you may receive the first and second annual payments in the same tax year because your first payment may not be issued until January and your second payment would be on your anniversary date in December of that same year. Although this will only occur during the first year, you will need to plan for the tax liability of receiving two Lottery prize payments in one year because of the increased income. This can also occur if your payment is delayed into the



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next tax year for any reason, including failure to respond to our annual confirmation letter.

### **Can a Lien Be Filed Against My Winnings?**

Judgment liens, tax levies or offsets may be filed against your prize winnings by creditors or government agencies for payment of your debts. Any such offsets will be deducted from your next installment payment and the remainder, if any, will be mailed to you. The lien, levy or offset may continue from year to year until the debt is paid in full.

## **Estate Planning & Forms**

### **What Happens if I Die Before I Receive All the Payments?**

In the event of a prize winner's death, representatives of the estate will need to contact the Lottery's Prize Payments Annuity Desk in order to begin the process of transitioning payments to the beneficiaries. All remaining installment payments will be paid to the appropriate heirs of the estate. The annuity payment option cannot be changed.

Designating beneficiaries for your remaining prize payments simplifies the process of transferring prize payments to your heirs. You may obtain a Lottery Beneficiary Designation Form from the Lottery's Prize Payments Annuity Desk. The telephone number is at the end of this handbook. By simply completing the form, you will provide the Lottery with the names of individuals that you designate to receive any remaining unencumbered payments as they come due. You may change your designated beneficiaries at any time by simply completing a new Beneficiary Designation Form. If there is no Lottery Beneficiary Designation Form on file at the time of your death, the Lottery will make payments pursuant to established Lottery procedures or as ordered by the court.



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### **Can the Lottery Assign Prize Payments to a Trust Established by a Winner?**

The Lottery will make installment payments to your qualifying trust if you have properly assigned your prize to the trust. A Declaration and Assignment of Lottery Prize to Revocable Living Trust Form can be requested from the Lottery's Prize Payments Annuity Desk. For the Lottery to make payments to a trust, the prize winner must be the grantor of the revocable trust and the trust must be linked to the winner's social security number. The trust must be governed by the laws of the State of California. Upon a winner's death, if prize payments were properly assigned, the trustee must notify the Lottery of the winner's death and of the proper distribution of the payments under the trust. The Lottery may make payments to irrevocable trusts or sub-trusts which were established in a winner's qualifying trust so long as the appropriate form is on file prior to the winner's death. If this form is not on file, the Lottery will make payments pursuant to established Lottery procedures or as ordered by the court. Keep in mind, a trust cannot claim a Lottery prize.

## **Assignment of Prize Payments**

### **Can I Assign My Prize or Sell it to Another Party?**

Winners of prizes paid in installments may assign future prize payments to a third party or use their winnings as collateral for a loan. If you are planning to assign your prize payments to another party, there are specific regulations that affect this process. Please contact the Lottery's Prize Payments Annuity Desk for specific information.

Companies may contact you offering to purchase some or all of your remaining installment prize payments. Past winners have informed us that some companies have misrepresented themselves as the California Lottery, claiming to have the Lottery's endorsement or implying that they received confidential personal information about prize winners from the California Lottery.



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Be assured that the California Lottery does not endorse any of these companies or disclose personal information about prize winners other than that information which is designated as public information (see "Public Disclosure" on next page). If you receive a suspicious solicitation claiming to be from the California Lottery, call us to confirm at 1-800-LOTTERY.

The Lottery encourages you to seek independent financial and legal advice before making any assignment decision. If you decide to assign your right to receive future prize payments or use your winnings as collateral for a loan, please contact the Lottery's Prize Payments Annuity Desk. For tax-related questions, contact the IRS at 1 (800) 829-1040.

### Public Disclosure

#### **What Personal Information is Subject to Public Disclosure?**

The California Lottery is subject to public disclosure laws that allow access to certain governmental records. Your full name, the name and location of the retailer who sold you the winning ticket, the date you won and the amount of your winnings, including your gross and net installment payments, are matters of public record and are subject to disclosure. The Lottery will not disclose any other personal or identifying information without your permission unless legally required to do so.

### Managing Your Winnings

#### **What Should I Do with the Prize Money While I'm Seeking Professional Financial Advice?**

Your first instinct may be to deposit the first payment of your winnings safely in a financial institution while you plan your financial future. Your current bank or credit union is a good place to start but be sure to verify that the amount of your deposit is federally insured. If the amount of your deposit exceeds the level of insurance, consider dividing your prize funds between two or more financial institutions.



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### How Do I Find Reputable Advisors?

Banks and other financial institutions offer a variety of options. To receive the maximum benefit from your Lottery prize, you should check the credentials of prospective advisors and interview them to determine if their financial approach fits your needs and lifestyle. There are professional organizations listed online and in every telephone book that can provide you with the names of advisors, including accountants, attorneys, financial planners and investment counselors. Remember that you can change any of your advisors and hire more than one at a time. Although the Lottery does not endorse any advisors or any advisory group, lists of advisors can be obtained from the sources to the right:

- Martindale-Hubbell Directory [www.martindale.com](http://www.martindale.com)
- California State Bar [www.calbar.ca.gov](http://www.calbar.ca.gov)
- The California Society of Certified Public Accountants (800) 922-5272 [www.calcpa.org](http://www.calcpa.org)
- National Association of Personal Financial Advisors (800) 366-2732, (847) 483-5400 or (888) 333-6659 [www.napfa.org](http://www.napfa.org)
- The Financial Planning Association (800) 322-4237 [www.fpanet.org](http://www.fpanet.org)

While some past winners preferred to research their own financial options, others reported that building a team of advisors who work together and are experienced in working with large sums of money has provided them with sound legal and financial advice.

### How Should I Handle Requests for Donations?

Many winners have shared their winnings with their favorite charities. You may receive requests for donations from many sources, including friends, family and individuals from organizations or charities that are unfamiliar to you. Take time to investigate the legitimacy of any organization or charity before you make a donation. One way to do this is to request a financial statement. To ensure that a charity is authorized, you may check



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their non-profit status with the IRS at [www.irs.gov](http://www.irs.gov). Your team can also help you say no to a donation/investment request when you need to, and help research whether a business is bona fide or a scam!

### **You Should Also Consider:**

- Changing your phone number or using a voicemail system or answering service to screen your calls. The same is true for your mail and email. A post office box will also help you screen unsolicited requests. If requests do come by phone, ask that the requests be put in writing and that the requesters send background literature to your post office box.
- Use a member of your professional team to serve as intermediaries and act as your spokesperson when responding to requests and to intercept information from various organizations. A knowledgeable adviser can also help you with income tax implications and advise you on the allowable limits of charitable donations and contributions.

### **The Marketwatch's Charles A. Jaffe offers important tips:**

**The single most important decision you make with your newfound wealth will not be how to spend or invest it. It will be who you hire to help manage it.**

Sudden money makes you an instant candidate to hire a financial adviser. For starters, you are likely handling much more than you have ever had at your disposal before. More importantly, you want to make sure your once-in-a-lifetime good fortune becomes a rest-of-your-lifetime benefit.

You most likely have heard stories of athletes, rock stars and celebrities who wound up losing their fortune at the hands of an unscrupulous agent or rogue stockbroker. Your windfall puts you in the big leagues, in terms of the potential to become a victim.



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That being the case, there are several factors to keep in mind as you choose an adviser:

**Interview three to five before making a decision, with at least one candidate having "no strings attached."**

The reasons you hire an adviser—to protect and grow your money, to make sure that you have properly insured yourself, planned for your estate and more—are standard fare for good advisers. That means that the first person you talk to will sound like they are a tailor-made perfect fit for your needs, even if they are mediocre and inexperienced.

Make sure you have a basis for comparison, and that you know not just about the services you will get for your money, but about how comfortable you are with the adviser personally. If you interview top advisers, what will make one stand out is not so much expertise—all good advisers have it—but your comfort level and confidence in them.

You may get referrals from friends and relatives, but you will want to have at least one candidate who you have never met before. This makes sure that your feelings for an adviser aren't colored by the fact that he's your nephew, your best friend's financial adviser and so on.

**Look for an adviser who deals regularly with this kind of money, and preferably with clients who suddenly come into money.**

Ideally, you want to hire an adviser familiar with the kinds of situations you'll be facing. That means someone whose average client already has the kind of money you have won, and preferably with people who came into that money quickly.

You don't want to be someone's guinea pig, their first shot at handling the issues—from investing large sums to estate planning—that will soon be among your major concerns.

**Consider building a financial team.**

You don't see famous wealthy people like Donald Trump or Warren Buffett managing their money alone. They have a team of advisers who handle everything from the legal to the investment to the tax sides of the issues.



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Remember that you are new at this, and your winnings don't guarantee that you will make great decisions. Building a team— and the members should not all work for one firm—allows you to have multiple advisors. While the financial planner might handle the strategy, the accountant can make sure everything is proper from a tax standpoint. The best part of a team approach is that you can bounce around ideas, giving you a better chance to determine if anyone is steering you wrong.

### **Be sure that the following questions are at least a part of your interview with each candidate.**

- How does your compensation work? Find out how the adviser will be paid—commission, flat-fee or some combination—and precisely how much money they will make in dollars if they work with you and implement a financial plan.
- What services will I get for my money?
- May I see a sample plan? Before hiring an adviser, make sure you see what you actually get for your money.
- Will anyone else be working with me or will I always deal with you?
- How do we terminate this relationship if I am not satisfied?
- What is your basic approach to financial planning?
- What is your educational background and what professional designations do you hold? How much education must you undergo to keep those credentials, and how will that expertise benefit me?

You are hiring help, not surrendering control. Just because you pick a financial planner doesn't mean you will be uninvolved in managing your money. Instead, you should be involved in all key decisions, and your goals—even if they disagree with the strategy of the adviser—should be carried out.



### Winner's Checklist

#### **What Do I Need to Do if I Want Future Payments Mailed Directly to My Financial Institution?**

If you chose to pick up your first Lottery payment from a California Lottery District Office, your first Lottery prize payment will be available for pickup within six to eight weeks of your claim.

Future payments can be mailed directly to your home address or to your financial institution for deposit into your account. At this time, the Lottery does not offer Electronic Fund Transfers (EFT). For more information, contact the Lottery's Prize Payments Annuity Desk.

#### **What if I Change My Address?**

Be sure to notify the Lottery's Prize Payments Annuity Desk in writing immediately with any changes to your name, address or telephone number to ensure timely delivery of your annual payment and IRS W2-G Form. The Lottery will provide you with a change of address form for your convenience.

#### **Who Do I Call if I Have Questions?**

The Lottery does not offer financial or legal advice, but we will provide you with information or forms you need to facilitate your planning. Contact the Lottery's Investment Desk at (916) 822-8324.

#### **When you decide on participating in media availability:**

Corporate Communications Division – (916) 822-8131

#### **Questions from annuity winners:**

Prize Payments – Annuity Desk (for annuity winners) (916) 822-8306

#### **Questions relating to W2-G forms:**

Tax Unit – (800) 568-8379, press 2, then press 6, then press 4



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Congratulations on your big win. We wish you well in the future as you begin this exciting new chapter of your life. Dream big!

The California Lottery thanks you for your support. You should know that our sole beneficiary is California public schools. Our contributions of more than \$1 billion a year are actually quite modest after it's divided up among every single public school, but we're sure you'll agree that every penny counts! Get all the details at

<https://www.calottery.com/who-benefits>

Good luck and thank you again!



## Lottery District Offices

### Headquarters\*

700 North 10th Street  
Sacramento, CA 95811  
1 (800) LOTTERY  
1 (800) 568-8379  
TDD 855-591-5776

### Central Valley

7620 North Del Mar Avenue  
Fresno, CA 93711  
(559) 449-2430

### Inland Empire

11138 Elm Avenue  
Rancho Cucamonga, CA 91730  
(909) 803-6232

### Sacramento

4106 East Commerce Way  
Sacramento, CA 95834  
(916) 830-0292

### San Diego

5656 Ruffin Road  
San Diego, CA 92123  
(916) 492-1700

### Richmond

618 South 8<sup>th</sup> Street  
Richmond, CA 94080  
(510) 806-8960

### Milpitas

900 Hanson Court  
Milpitas, CA 95035  
(408) 214-4204

### Chatsworth

9710 Topanga Canyon  
Chatsworth, CA 91311 (818)  
7722-1622

### Santa Fe Springs

9807 Bell Ranch Drive  
Santa Fe Springs, CA 90670  
(562) 777-3434

### Costa Mesa

235 East Baker Street  
Costa Mesa, CA 92626  
(714) 716-4076

\*We don't offer claim help at our Headquarters in Sacramento, please visit the Sacramento District Office for claim help!