CRAIN'S CLEVELAND BUSINESS

Pooling your Powerball purchases? Listen to these lawyers

By Michelle Park Lazette

10:43 am, May 17, 2013

Those people collecting money around the office to improve their chances of taking home the third-largest lottery jackpot in U.S. history should know this: Things can get tense when co-workers win together.

Problems tend to arise when a group of co-workers wins and participants in the pool didn't "cover" absent colleagues, especially if the office had set a precedent of doing so in previous lottery pools, said Bo Loeffler of the Loeffler Law Firm in Port Clinton, who specializes in lottery winner representation.

So if you are collecting money to buy a chance at the $550 million Powerball jackpot, keep the rules about who's participating — and winning — simple, Mr. Loeffler advises. Maintain a list of who has contributed, and make it clear that your co-workers must pay to play.

A number of lawsuits have been brought by absentee co-workers, he said, including one settled in Cuyahoga County Court in early 2012 between Edward Hairston, who had participated in a Geauga County cabinetry company's lottery pool for eight years. Mr. Hairston had been recuperating from a back injury in the month when the 22 co-workers he sued won a $99 million jackpot and then refused to cut him a share.

Mr. Hairston's lawyer said the group's unwritten policy had been to cover for colleagues who were unable to make a monthly lottery pool payment because of illness, vacation or other reasons. Terms of the settlement were not disclosed, Mr. Loeffler said.

"If you develop a course of conduct over time that this is a longstanding relationship almost amounting to a partnership or agreement, that's where you see the cases start to have some grounds," Mr. Loeffler said. "You know as well as I do: In America, if the dollars are big enough and the facts tilt enough to lend (themselves) to a possible claim, there'll be a suit."

If your office plays less frequently, someone who argues a "cover case" would have a much weaker claim, Mr. Loeffler said.

Another pointer: Those people responsible for buying the lottery tickets but also planning to buy their own should purchase the group's tickets and distribute copies of those tickets to the group to delineate which are the group's and which are the individual's, said Stan Gorom, a partner with Hahn Loeser & Parks LLP who heads the Cleveland law firm's gaming practice group.

Hello, old friend

Mr. Loeffler, who also specializes in estate planning and protection, started his lottery-specific work after representing someone who won one-third of a $10 million prize. (We'd take that, too.)

To date, Mr. Loeffler has consulted seven winners, most of them in Ohio. The largest prize he helped someone claim was $23 million; the smallest, $1 million.

First thing's first, sources say: Whoever comes to the breathless realization during the drawing at 11 p.m. this Saturday, May 18, must put the ticket in a safe place. A fire-resistant safe is a common suggestion.

Fortunately for lottery winners in Ohio, the state allows the suddenly rich to claim winnings through a blind trust so their faces arent all over the news, drawing "all of the friends (you) haven't heard from in years," Mr. Loeffler said.

"I give them (lottery winners) the lottery Miranda warning," he said. "You have the right to say something, but I advise you not to say something. It's amazing how many handouts and handout requests take place."

Hiring an attorney and forming a blind trust is the first course of action Mr. Loeffler recommends. Through the process, the identity of the winners are confirmed, as is their share, before the prize is claimed.

Next, he said, it's prudent to hire an adviser for taxes and estate planning.

Charlie Shaw agreed, noting that wealth managers can help guide investment decisions, too. The well-publicized cases of overnight millionaires going broke only years after they struck it rich underscore the importance of seeking advice from the get-go, he said.

"The minute you get that type of wealth, the complexity of your life rises dramatically," said Mr. Shaw, executive head of Fifth Third Private Bank in Northeast Ohio. "You can do a lot of really dumb things that cost millions of dollars."

Planning to splurge

While the Ohio Lottery Commission doesn't keep data on the number of times office pools win, Marie Kilbane, public information officer, said, "It's just fun to see the excitement when people can share the winning experience together."

Ohio is one of more than 40 states that sell Powerball and Mega Millions. The Powerball odds are large — one in 175 million, according to the Powerball site — but Ohio did have two Powerball winners in 2010, and it has had 18 Mega Millions winners, including someone in Westlake who won $41 million in March, Ms. Kilbane said.

Asked whether his lottery-winning clients credit their wins to any superstition, Mr. Loeffler can recall one winner who went to the same store at the same time on the same day of the week and within a year won $1 million on a scratch-off.

The vast majority of winners first pay their bills and fund their children's education, Ms. Kilbane said.

"Then, after that, some will do some splurging," she said.

Mr. Loeffler echoed Ms. Kilbane's comments, noting most lottery winners he's known pay bills, reduce their debt and buy a nice house, or improve the one they already have. He saw one, however, buy into a night club that went belly up.

We at Crain's have plans of our own: Health care reporter Tim Magaw would go to every single date on Pearl Jam's next tour; marketing director Lori Yannucci Grim would fund her sons' college education, then buy and renovate her own personal movie theater; and sections editor Amy Stoessel would take her daughter to Walt Disney World for 10 days.