

Creating a financial road map for a surviving spouse

Having an action plan can ease an inherently difficult period

Those who have suffered the death of a beloved spouse will tell you it's one of the most difficult experiences of their lives. Expected or not, the finality of losing your partner is emotionally overwhelming for many people, and it's understandable that some may make hasty or uninformed decisions in the aftermath.

The conventional wisdom – “Don't make any major decisions for a year” – may be good advice, but it's not always possible, especially if the surviving spouse hasn't been involved in managing the couple's financial matters. In reality, there are often decisions that have to be made, particularly if the subject has been avoided or the death is sudden and means the loss of the primary breadwinner.

As with many areas of life, having a plan can make a very tough time a little easier to get through. Obviously, your plan has to be carefully considered and thoroughly discussed by both partners, and it has to cover short- and longer-term considerations alike. Hope is not a plan, as the saying goes – you have to accept that losing a spouse can and does happen, and that it can happen to you. As a practical matter, although this may be a difficult discussion to have, the time to create a plan is now, while you both can contribute fully to helping ease the painful transition that one of you may have to make.



Involve others in your plan

It's important that other people also be familiar with your plan – your financial advisor, of course, but also your most trustworthy adult children (if you have them), the executor of your will (you do have a will, don't you?) and perhaps a close friend or two. They don't have to know everything, but since the point here is to ease the strain on the surviving spouse, you want him or her to have an informed support group. Think in terms of concentric circles, with you and your spouse at the center knowing everything, and others knowing what they need to know to be helpful when the time comes. With that picture in mind, here's a guide to creating a financial road map for surviving spouses:

Have the discussion – Although it may be difficult, the place to start is with an open and comprehensive discussion with your spouse or partner about life "afterward." Although there's usually one hands-on financial person, both of you need to know exactly what you own, why you own it and how to access

it. You also need to discuss what the surviving spouse will need to take care of after the other is gone.

Create a master directory – Both of you should have ready access to a continuously updated master directory that lists all your financial assets. Whether it is paper in a safe-deposit box or password-protected electronic form, your directory should cover bank and brokerage accounts, pensions, 401(k)s, IRAs, real estate, business holdings, insurance policies, etc. – along with the relevant account numbers, URLs, passwords, key contacts and phone numbers. The surviving spouse will have to inform financial institutions of a change in status and make whatever titling changes are necessary – joint accounts to single, for example – and the directory should provide a checklist for this (see "A basic checklist for surviving spouses," page 14). Don't let your directory become outdated – review it annually – and be very, very careful to protect it.

Simplify things – Consider consolidating your accounts with one

financial provider and talking with your advisor about modifying your holdings to be sure your asset allocation and diversification profile have a long-term view. While the volatility of today's markets makes it tough to put any investment plan on autopilot, in times of emotional stress (and most other times as well), simpler is better.

Create a big picture document – If you don't have one, this is a good time to create a comprehensive financial plan that sets forth what you're trying to accomplish with your investments and how each account fits into that picture. Your plan should include a way to keep track of your progress, as well as a way to course-correct if necessary. Your advisor can help you here.

Establish a cash reserve – One of the best ways to help a surviving spouse is to be sure he or she has enough ready cash. Not making major decisions is a lot easier if there's enough money to keep everything going for 12 months – longer if you're both retired. With money market accounts yielding almost

Surviving spouses and Social Security

Social Security often becomes immediately important for surviving spouses, especially if the deceased was the primary earner in the relationship. Although widows and widowers should contact the Social Security Administration directly for specific information about their potential eligibility and benefits, here are some things to know:

About 5 million surviving spouses receive monthly Social Security benefits based on their deceased spouse's earnings record rather than their own. In other words, this is a common situation.

Surviving spouses can receive reduced benefits based on the deceased's earnings as early as age 60, or full benefits at their full retirement age or older. If the surviving spouse is disabled *and* the disability started before or within seven years of the deceased spouse's death, it may be possible to claim benefits as early as age 50.

Surviving spouses who have not remarried can receive survivors benefits at any age if they take care of a child from the marriage who is under age 16.

Surviving spouses of workers who earned enough credits are usually eligible for the deceased's benefits if certain criteria are met. Go to socialsecurity.gov/survivorplan/ifyou2.htm for a full explanation of qualifications.

For more information, see: socialsecurity.gov/survivorplan/index.htm.

nothing, it's hard to leave a substantial amount of money sitting idle, so think of it as a safeguard against the surviving spouse making an expensive financial error because of money pressures.

Review your insurance coverage – If it's been a while since you checked your insurance policies, now is a good time to be sure you have sufficient life insurance and that both spouses know how to file for it. This is especially important if one spouse's income would need to be replaced quickly.

Review your will – If you don't have one, don't delay in obtaining expert help in creating one. If you do have one, set up a schedule for regular reviews to be sure it doesn't get out of date in terms of your beneficiaries, legacy objectives and personal wishes.

Plan your withdrawals – Talking about ready cash can naturally lead to a discussion of which assets – and which

accounts – are meant to be accessed in the short, intermediate and long term. The tax status of each account also matters – any withdrawals should be made with the tax ramifications in mind. It may be necessary for the surviving spouse to use credit cards rather than cash for a short while, but it's a good idea to talk about this and establish some sensible guidelines ahead of time.

Become interchangeable – This one is a lot easier said than done. The surviving spouse is going to have to manage the day-to-day household finances, which in effect means both of you have to be able to do it. Make sure there's a logical (to both of you), easily understandable system in place. Even if one person will continue to pay the bills, it's a good idea to do this side by side for a few months so either spouse can manage things immediately if need be. Doing this reduces the likelihood of a costly

mistake like forgetting an important bill.

Two of the worst traps that unprepared spouses can fall into are denial (not dealing with their financial affairs) and abdicating (handing over those responsibilities and decisions to someone who may not be capable or suitable). An adult child, close relative or good friend may be a great source of emotional support, but that doesn't make them a financial advisor. Identify someone knowledgeable whom you both trust, make them aware of your financial situation and objectives, and ask them in advance to help the surviving spouse when the time comes. Be aware too that just because one spouse is managing things well now doesn't guarantee that he or she will be able to do so while coping with an enormous loss. The time to create a financial road map is before you need it. **W**

A basic checklist for surviving spouses

This checklist is meant to help surviving spouses deal with practical matters during what can be a difficult time. It is not exhaustive and should be viewed only as a starting point for compiling your own personalized list.

Necessary documents:

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| <input type="checkbox"/> Will/trust | <input type="checkbox"/> Tax returns | <input type="checkbox"/> Pension/retirement plan statements | <input type="checkbox"/> Car, homeowner and health insurance policies |
| <input type="checkbox"/> Life insurance policy | <input type="checkbox"/> Divorce agreements | <input type="checkbox"/> Mortgage and other loan statements | <input type="checkbox"/> Usernames and passwords to any online accounts |
| <input type="checkbox"/> Birth/marriage/death certificates | <input type="checkbox"/> Bank and credit card statements | <input type="checkbox"/> Deeds | <input type="checkbox"/> Trust information |
| <input type="checkbox"/> Funeral instructions | <input type="checkbox"/> Investment account statements | <input type="checkbox"/> Motor vehicle titles | |
| <input type="checkbox"/> Social Security cards | | | |

Actions you will need to take:

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| <input type="checkbox"/> Contact Social Security and Medicare, if applicable | <input type="checkbox"/> Notify life insurance companies and file claims | <input type="checkbox"/> Apply for applicable benefits | <input type="checkbox"/> Notify financial institutions to remove the deceased's name from any joint accounts and credit cards |
| <input type="checkbox"/> Obtain 12 copies of the death certificate. These are needed to close bank and credit card accounts, and to file claims with insurance companies | <input type="checkbox"/> Notify your professional advisors and attorneys for guidance | <input type="checkbox"/> Ask spouse's employer about pensions, health insurance options, and other survivor benefits | <input type="checkbox"/> Contact DMV to cancel deceased's driver's license |
| | <input type="checkbox"/> Arrange for short-term cash flow | <input type="checkbox"/> Update any deeds or titles | |