Financial Planning for Widows & Widowers

Losing a spouse typically drains the survivor of the strength to concentrate effectively on financial matters. A financial Advisor should consider this lack of focus when working with survivors and comprehensively and compassionately address these needs to help the survivor gain control of their future, emotionally and financially.

Survivors face three stages in the "financial transition process"

- Handling funeral Arrangements and other pending issues.
- Dealing with Financial Transitions and the business side of the deceased's life.
- Rebuilding and moving forward with their own lives.

Handling Funeral Arrangements and other Pending Issues

The Funeral - Funeral homes are required by the Federal Trade Commission to offer a "General Price List," which is a comprehensive listing of services and their related costs. The survivor should always request this list so cost and service comparisons can be made. If an individual is reluctant to request it, you can suggest that a family member or close friend does so and helps in making selections. Detailed information on this regulation can be found at the FTC's Web site: www.ftc.gov/bcp/conline.pubs.services.funeral.htm

Determine if the decedent's Social Security or veteran's benefits can be used toward funeral expenses. Social security, for example, will pay $255 toward funeral expenses to a surviving spouse who was living with the decedent at the time of death. (Social Security Administration can be contacted at 1-800-772-1213.) Veteran's benefits, such as reimbursement of burial plot expenses, may be available if the deceased served in the military. (Veteran's Administration can be reached at 1-800-827-1000 or at your local VA's office.)

Dealing with Financial Transition and the business side of the deceased's life.

After a loved one's death, survivors must face the fact that life continues and they may have to take on financial responsibilities for the first time in many years. The pressure of this newfound responsibility can be alleviated by following these six steps:

1. Organize Financial Information
2. Obtain an attorney
3. Align Investments for Sufficient Liquidity
4. Review and Collect Benefits
5. Review Assets and Liabilities
6. Settle the Estate

- **Step One**: ***Organization***

Being organized helps survivors avoid missing deadlines or misplacing important documents amid the upheaval. Survivors can be overwhelmed by the mountain of paperwork from insurance and mortgage companies, creditors and banks, the deceased's employer, and many other businesses.

First, it is important to collect at least 8-10 copies of the death certificate. These certificates will be used constantly during the next couple of years for anything from settling the estate to transferring a car title into your name.

Start a basic filing system. Whether you use folders or large manila envelopes in a filing cabinet, or piles on a dining room table, the point is to retain theses documents in a designated place and create a system for easy retrieval. Use post-it notes or bright labels to clearly mark due dates. Develop a system that works best for your own needs.

"To give real service you must add something which cannot be bought or measured with money, and that is sincerity and integrity." –Douglas Adams

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- **Step Two: *Obtain an Attorney***

In most cases, a survivor will benefit by obtaining legal counsel. Ask family, friends, or professional contacts for relevant referrals. Often times a financial advisor will confer directly with a client's attorney to help smooth the transition for the survivor.

- **Step Three**: ***Align Investments for Sufficient Liquidity***

During the months closely following the decedent's death, the payment of insurance benefits may lag behind a survivor's financial obligations, so it is necessary to arrange financial accounts so that sufficient cash is available for meeting bills.

A financial consultant can check to see if the deceased had investments with death clauses, sometimes known as an "estate feature" or "death put" allowing for immediate termination at face value without penalty.

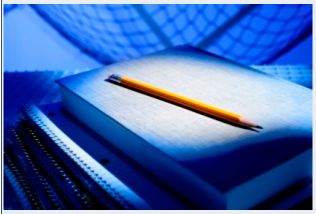
Step Four: *Review and Collect Benefits*

1. **Social Security Benefits** - Social security benefits are paid to survivors', survivors' children and other family members. Social security offers two types of benefits, a lump sum benefit and a survivor income benefit. A lump sum benefit will pay $255 toward funeral expenses to a surviving spouse who was living with the decedent at the time of death. Survivor income benefits are for a qualifying spouse or children. Qualification depends on age, whether there are dependent children and if the surviving spouse is disabled. The deceased's earnings determine the amount paid. (Social Security Administration can be contacted at 800-772-1213)
2. **Life insurance Benefits** - Life insurance benefits offer the most substantial financial security after the passing of a loved one and often times determines whether a survivor must sell their home or return to work. A survivor should check the following sources for possible life insurance benefits
   a. The decedent's employer and previous employers
   b. The survivor's employer for "Spousal" life insurance
   c. Lenders -credit life insurance may exist through companies providing mortgages, loan, or credit cards
   d. Social organizations, professional associations and unions often have group life insurance plans for members

"If money is your hope for independence, you will never have it. The only real security that one will have in this world is a reserve of knowledge, experience, and ability." –Henry Ford

3. **Employee Benefits**- Contact all former employers of the decedent to collect potential employee benefits. The HR department can tell you whether the company has a policy of paying out any vacation time or sick days that the decedent accrued while working.
4. **Retirement Benefits** - The type of beneficiary and age at which the IRA holder died may result in different distribution options for the beneficiary. If a spouse is under 59 ½ years of age and requires extra income, distributions will still be taxed as regular income, but would not be subject to a ten-percent federal income tax penalty because there is a 72(t) exception for death. The spouse could also roll over or transfer the inherited IRA into his or her own IRA.

   The distribution options under a qualified retirement plan may be different. Some plans offer no choice and pay distributions to the beneficiaries all at once. A financial advisor can help make sense of confusing options by obtaining and reading the employer's retirement plan documentation.



5. **Employer-provided health insurance** - One of the biggest financial worries for survivors is maintaining health insurance. A widow or widower is eligible for COBRA (Consolidated Omnibus Budget Reconciliation Act of 1985) health coverage if their spouse was employed at the time of death and was covered by the company's health insurance plan. Survivors should ask the deceased's employer if the deceased had a medical-care "flexible savings account" or reimbursement account. If so, claims should be filed for any outstanding medical bills incurred by the deceased. If this benefit is not used by the end of the year, the money is usually lost.

6. **Veteran's benefits**- If the deceased served in the military, the survivor should contact the Department of Veteran Affairs to obtain a copy of the military discharge record. This will determine whether the survivor qualifies for survivor's benefits. Contact Veteran's Administration at 1-800-827-1000 or your local VA's office.

- **Step Five: *Review Assets and Liabilities***

A financial Advisor can work with a survivor to evaluate the deceased's financial accounts, retirement account, investments, real estate, notes receivable and any "hard assets," ie. automobiles, boats, etc. Hard assets should be assessed, including what needs to be done to transfer ownership. Survivors should seek prior approval from their attorney to be sure any action does not contradict any post-mortem planning contained in the decedent's will.

A survivor should also review the decedent's debts or liabilities. It is important to sort through bills, pay appropriate bills, and conserve the assets of the estate. The survivor should not be in a rush to pay off the deceased's bills. In particular, they absolutely should not pay off any of the deceased's debts from their own funds. The estate is responsible for satisfying the debts of the deceased. In most states, the available funds first pay for funeral expenses, then attorneys, and creditors last. A survivor should consult relevant attorneys before paying any bills. Pay attention to contractual arrangements -- many have clauses allowing the survivor to escape financial responsibility.

- **Step Six: *Settle the Estate***

It is common practice to hire an attorney for guidance in settling the estate, but if the estate is small and uncomplicated, it may be possible to handle the estate administration without legal assistance. Estate tax and due dates should be considered carefully when handling a decedents estate.

"The importance of money flows from it being a link between the present and the future." –John Maynard Keynes

During the time a decedent's estate is being processed, the survivor should make certain that the estate is being protected. This includes checking to ensure that any property (home(s) and car(s), for example) is properly insured and titled.

Rebuilding

Recovering from a spouse's death is a dual process. In addition to the emotional toll, clients face financial issues that may have a major impact on their lifestyle. A financial advisor can help you take control of your finances and guide you toward independence.

Focus on short-term goals. A person who has just lost his or her life partner may feel overwhelmed with planning family finances for the next 20-30 years; focus on what is necessary for the next 12 to 24 months. Cash flow is often the immediate concern -- a client may need more liquid assets in the months following a spouse's death to take care of any unforeseen expenses, but an individual should not make any major financial decisions for at least one year following the spouse's death. After some time and adjustment, it will be necessary for the survivor to review finances for the long run. However, be sure that the survivor is properly prepared to discuss these matters with clarity and a clear rationale.

Since it may be the first time in many years that a survivor is dealing with their own finances, it may be important to keep it simple with specific short-, medium-, and long-term goals and traditional comprehensive planning.

The death of a spouse is one of the most stressful events in your life journey. Having a detailed financial plan is critical at this time, but so is reassurance and sympathy. A strong personal relationship with your financial advisor will go a long way toward helping you make crucial financial decisions and rebuild your life. A Financial Advisor who considers life transitions and understands the grieving process and special needs of widowed clients will be much better able to design your financial plan.