SUDDEN MONEY® INSTITUTE

Wealth Wellness Group of RAYMOND JAMES

Sudden Responsibility

Pre-Planning Can Soften the Blow

Of Losing a Spouse

FACT: 70% of Baby Boomer wives outlive their husbands.

FACT: The mean age a woman becomes a widow (for first-time marriages) is 59.4.

FACT: Many can expect to be widows for 15-20 years.

FACT: Few are prepared for the financial responsibilities that follow.

Unfortunately, most couples don't spend much time planning how the surviving partner would manage financially if one of them dies before the other. They might spend plenty of time planning for retirement, but they neglect a topic that can lead to enormous distress, hardship, and even poverty.

The American Association of Retired Persons estimates that of the widows now living in poverty, 80% were not poor before the death of their husband. *Why?* Poor planning or lack of planning. For instance, only 21% of widows receive a survivor's pension based on their husband's retirement benefits. And half of those who do get a benefit receive less than $4,800 a year because at retirement their husbands selected the "50% joint and survivor" payout option. This means that although the payment is slightly higher than other options when both spouses are alive, it drops by half once the husband dies. That half could be what pushes a widow into poverty.

Financial planning that includes protection for the surviving spouse is something every couple needs. Every person should know what would happen financially if their spouse predeceased them. What you really can't know is what will happen to you emotionally if your spouse predeceases you, and emotions are the variable that affects financial decision-making more than anything else. We at the Sudden Money® Institute (SMI) have spent over a decade studying the intersection of finances and human nature, and we have created a process and tools to guide you through the loss of a spouse.

If you've done your planning . . .

When your spouse dies, a major life transition event is triggered, and it is imperative that you make the most of whatever assets you receive. That's easier said than done, however, as the responsibility for managing this financial reality comes on the heels of one of life's most distressing events. Pre-planning gives you a road map that can make all the difference in getting through this painful time without making financial decisions you will regret later.

The first stop on your road map is to declare a Decision-Free Zone while you sort through the emotions that inevitably accompany life-changing events. For instance, many widows describe themselves as feeling numb, empty, and as if nothing mattered for the first year after the death of their husbands. This is hardly the time to make hasty and/or irreversible decisions. Instead, it's the time to sit down with a financial planner who can guide you, step by step, through all of the decisions you'll have to make, and provide you with a time line for those decisions. There are always things that must be done *Now*, things that will need to be done *Soon*, and things that can wait until *Later*. Worksheets, such as the SMI Survivor's Checklist, and other tools to help you prioritize.

If you haven't done your planning . . .

Betty expressed great fear about her financial circumstances after her husband died. Betty and her husband had always lived frugally. Her children urged her to sell her house thinking that it was her major asset and a potential source of income. By the time Betty and her children learned the full value of her assets, it was too late. She had acted from fear and sold the home she loved.

When you're in the throes of grief and aren't clear about exactly what your assets are, it's easy to be influenced by people who think they know what's best for you. And that won't necessarily mean good news for you, no matter how well meaning those people are.

When your financial situation hasn't been defined, the most immediate task on your *Now* list is to make sure that you have enough income and cash to cover expenses for the first several months. Next is to review/discover assets owned by you and your spouse jointly and individually. These may include stocks, bonds, checking and savings accounts, business interests, insurance, Social Security, retirement and pension plans (from most recent and past employers), real estate, and real property such as boats and automobiles. Bank and brokerage statements, canceled checks, tax returns, and even homeowners insurance lists of itemized valuables may lead you to assets you weren't aware of. Allow your financial planner to help you with this, as the stress of grief often leads to compromised cognitive abilities, and this is a critical job that needs to be done thoroughly.

The importance of *what-if* scenarios.

An integral part of the Decision-Free Zone process is doing *what-if* scenarios. This is a process you and your financial planner can use to explore your ideas and goals, testing financial possibilities and long-term consequences. Scenario testing helps you figure out what your range should be for what to spend now; whether to pay off outstanding debts in a lump sum or gradually; whether any changes in your lifestyle will be necessary to live within your income; and how you will finance your retirement. If you didn't take an active role in managing your joint finances before your spouse's death, this process can be very comforting. Your financial planner will guide you in developing your financial goals and educate you about your options.

Next, you will begin to implement the plan that you and your planner agreed is appropriate for your needs, your means, and to achieve your goals. Once you feel confident with the direction you want your life to take, you will be in the best possible position to move through grief to eventually finding your whole-hearted self once again.