

What to Do Financially When a Spouse Dies

Steps to see that financial matters remain in good order.

Provided by Michael G. Krum

When a spouse passes away, the emotion and magnitude of the loss can send our lives reeling. This profound change can also affect our finances. All at once, we have a to-do list before us, and the responsibility of it can make us feel pressured. With that in mind, this article is intended as a kind of checklist – a list of some of the key financial matters to address following the death of a spouse.

The first steps. These actions should come first. Some of these steps do require locating some documentation. Hopefully, your spouse kept these documents where you can easily find them – either at home, in a safe deposit box, or in an online vault.

*Contact family members, friends, and your spouse's employer to tell them of your spouse's passing. (As a courtesy, your spouse's employer should put you in touch with the person overseeing its employee benefits plan or human resources department.)

*If your spouse owned a business, check to see what plans are in place for its short-term continuation. Will a partner or key employee take the reins for the time being (or for the long term) as a result of a defined succession plan?

*Arrange payment for funeral expenses.

*Gather/request as many records as you can find to document your spouse's life and passing – birth and death certificates, a marriage certificate or divorce decree (if applicable), military service records, investment, insurance and tax records, and employee benefit information (if applicable).

The next steps. Subsequently, it is time to talk with the legal, tax, insurance, and financial professionals you trust.

*Consult your attorney. Assuming your spouse left a will and did not die intestate (i.e., without one), that will should be looked at as a prelude to the distribution of any assets and the settlement of the estate. His or her written wishes should be reviewed.

*Locate your spouse's insurance policy and talk to the affiliated insurance agent. Notify that agent of your spouse's passing; he or she will work with you to a) get the claims process going, b) help you reevaluate your own insurance needs, and c) review and, perhaps, alter beneficiary designations.

*Notify your spouse's financial advisor and, by extension, the financial custodians (i.e., the banks or investment firms) through which your spouse opened his or her IRAs, money market funds, mutual funds, brokerage accounts, or qualified retirement plan. They must be notified, so that these funds may be properly distributed according to the beneficiary forms for these accounts. Please note that the beneficiary forms commonly take precedence over bequests made in a will. (This is why it is important to periodically review beneficiary designations for these accounts.) If there is no beneficiary form on file with the account custodian, the assets will be distributed according to the custodian's default policy, which often directs assets either to a surviving spouse or the deceased spouse's estate.^{1,2}

Survivor/spousal benefits. These important benefits may help you to maintain your standard of living after a loss.

*Contact your local Social Security office regarding Social Security spousal and survivor benefits. Also, go online and visit www.ssa.gov/pgm/survivors.htm.

*If your spouse worked in a civil service job or was in the armed forces, contact the state or federal government branch or armed services branch about how to file for survivor benefits.

Your spouse's estate. To settle an estate, several orderly steps should be taken.

*You and/or your attorney need to contact the executor, trustee(s), guardians, and heirs relevant to the estate, and access the appropriate estate planning documents.

*Your attorney can also let you know about the possibility of probate. A revocable living trust (or other estate planning mechanisms) may allow you to avoid this process. Joint tenancy and community property laws in many states also help.³

*The executor for the estate should obtain an Employer Identification Number (EIN) from the IRS. Visit: www.irs.gov/businesses/small/article/0,,id=102767,00.html

*Any banks, credit unions, and financial firms that your spouse had a financial relationship with, should be notified of his or her death.

*Your spouse's creditors will also need to be informed. Any debts will need to be addressed, and separate credit may need to be established for you.

Your own taxes & investments. How does all this affect your own financial life?

*Review the beneficiary designations on the IRAs, workplace retirement plans, and insurance policies that are in your name. With the death of a spouse, beneficiary designations will likely have to be revised.

*Consider your state and federal tax filing status. A change in status may significantly alter your tax picture.

*Speaking of taxes, there may be tax implications surrounding any charitable gifts you and your spouse recently arranged or planned to make. (If a deceased spouse leaves property to a surviving spouse or a tax-exempt charity, that property is exempt from federal estate tax. Any property gifted by your late spouse prior to his or her death is not subject to probate.)^{3,4}

*Presuming you jointly owned some assets, it is time to retitle them. In addition to real estate, you may have jointly owned bank accounts, investments, and vehicles.

Things to think about when you are ready to move forward. With the passage of time, you may give thought to the short-term and long-term financial and lifestyle consequences of your spouse's passing.

*Some widowed spouses ponder selling a home or moving to be closer to adult children in such circumstances, but this is not always the clearest moment to make such decisions.

*Your own retirement planning needs. Certainly, you had an idea of what your retirement would be like together; to what degree does this life event change that idea? Will potential sources of retirement income need to be replaced?

*If you have minor children to take care of, will you be able to sustain the family lifestyle on a single income? How do your income sources compare to your fixed and variable expenses?

*Do you need to address college funding in a new way?

*If your spouse owned a business or professional practice, to what extent do you want (or need) to be involved in it in the future?

This article is intended as a checklist – a list of the important financial considerations to address in the event of a tragedy. If you find yourself referring to this article now, or you decide to keep it in a drawer or on your computer for some unforeseen time in the future, please know that I am here to help you and assist you as you seek answers to your questions as well as a measure of financial equilibrium. Simply call or email me.

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Citations.

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