

Widows & Wealth



Managing Money After Losing A Spouse



Robert Weissbein

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10 MYTHS ABOUT WIDOWS & WEALTH INTRODUCTION

Losing a spouse is often considered the single most stressful life event. Some of the stress comes from the many financial questions facing the surviving spouse: How will they support themselves and what benefits should they claim? Should they adjust their investment strategies? Should they stay in their homes or downsize?

“Our brains function differently when we’re facing big-time stress like losing a spouse,” says Kathleen Rehl, a financial planner who lost her husband and authored the book *Moving Forward on Your Own: A Financial Guidebook for Widows*. “If a widow or widower makes big irrevocable decisions during that stressful time, they could make the wrong decision because they don’t understand what they’re doing.”

Hindering widows’ efforts to make sound decisions are the myths they often face about their finances. Below are some of the more common myths to watch out for. If you need additional information about these or other issues, a helpful source would be a professional financial consultant who has experience helping widows lay a solid foundation for their financial future.



MYTH #1:

WIDOWS OFTEN RECEIVE A LARGE INSURANCE PAYOUT AND DON'T NEED TO WORRY ABOUT MONEY.

This is not true. Even widows who do receive a large amount of insurance money need to be able to manage it so they can make it last their lifetime. Unfortunately, many women have never gained the knowledge or experience to do so.

According to a UBS Global Wealth Management report, almost all women globally (91%) are highly involved in everyday finances, like expenses and bill paying. But almost 60% of women do not engage in the most important aspects of their financial well-being: investing, insurance, retirement and other long-term planning.

Why do so many women focus on the present but ignore the future? In the U.S., women opt out of long-term financial decisions for reasons ranging from “my spouse never encouraged me” to “my spouse knows more” about the topic. As a result, many women are not introduced to the important financial decisions that have been made for them until critical moments in their life, such as divorce or the death of a spouse. The study found that an overwhelming number of widows and divorcees (74%) discovered negative financial surprises when they were forced to take control.

As women around the world live longer, the likelihood of becoming widowed or divorced increases. Inevitably, women who plan for these possibilities will be better prepared. According to the UBS survey, the benefits for women who shared responsibilities with their spouses for long-term financial planning are clear:

- **96% of women** report higher confidence in their financial future.
- **97% of women** report fewer mistakes made with both spouses involved.
- **96% of women** report being less stressed about their finances.

By sharing decisions jointly with their spouses, women can face the future with optimism — and set an example of financial partnership for generations to come.

Source: "Own your worth" - UBS Investor Watch, 3/6/2019: <https://www.ubs.com/us/en/investor-watch/own-your-worth.html>





MYTH #2:

AFTER LOSING A SPOUSE, WIDOWS SHOULD TAKE THEIR TIME AND NOT RUSH INTO MAKING ANY FINANCIAL DECISIONS.

The oft-quoted advice of telling grieving spouses not to make any financial decisions for a year is misguided at best and disastrous at worst. Many decisions simply can't be postponed for a year, and others shouldn't be rushed into. "We advocate a much more nuanced timeline," says Susan Bradley, founder of the Sudden Money Institute.

She recommends "triaging" your tasks: breaking them down into three piles — urgent, soon and later — with those in the last pile being perhaps two years or more down the road, depending on individual circumstances.

Those in the "urgent" pile involve financial tasks you must do within a month or two of a spouse's death. Keep paying the bills, including any quarterly tax charges. Make sure you understand how your health insurance works, if it comes from your deceased spouse's employer. Collect on any life insurance policies, especially if cash is running low.

In working with the triaged tasks, you may find the following steps helpful. If you need assistance, don't hesitate to contact an experienced financial advisor.

Gather Documents

If it's still in the early days, begin by making sure the funeral director you're working with has notified the Social Security Administration of the death and ordered 15 to 20 certified copies of the death certificate.

You'll eventually need one or more of these documents to apply for Social Security benefits, work with your spouse's employer to distribute life insurance and other benefits such as final pay and retirement plan savings, and collect private life insurance proceeds.

Keep Good Records

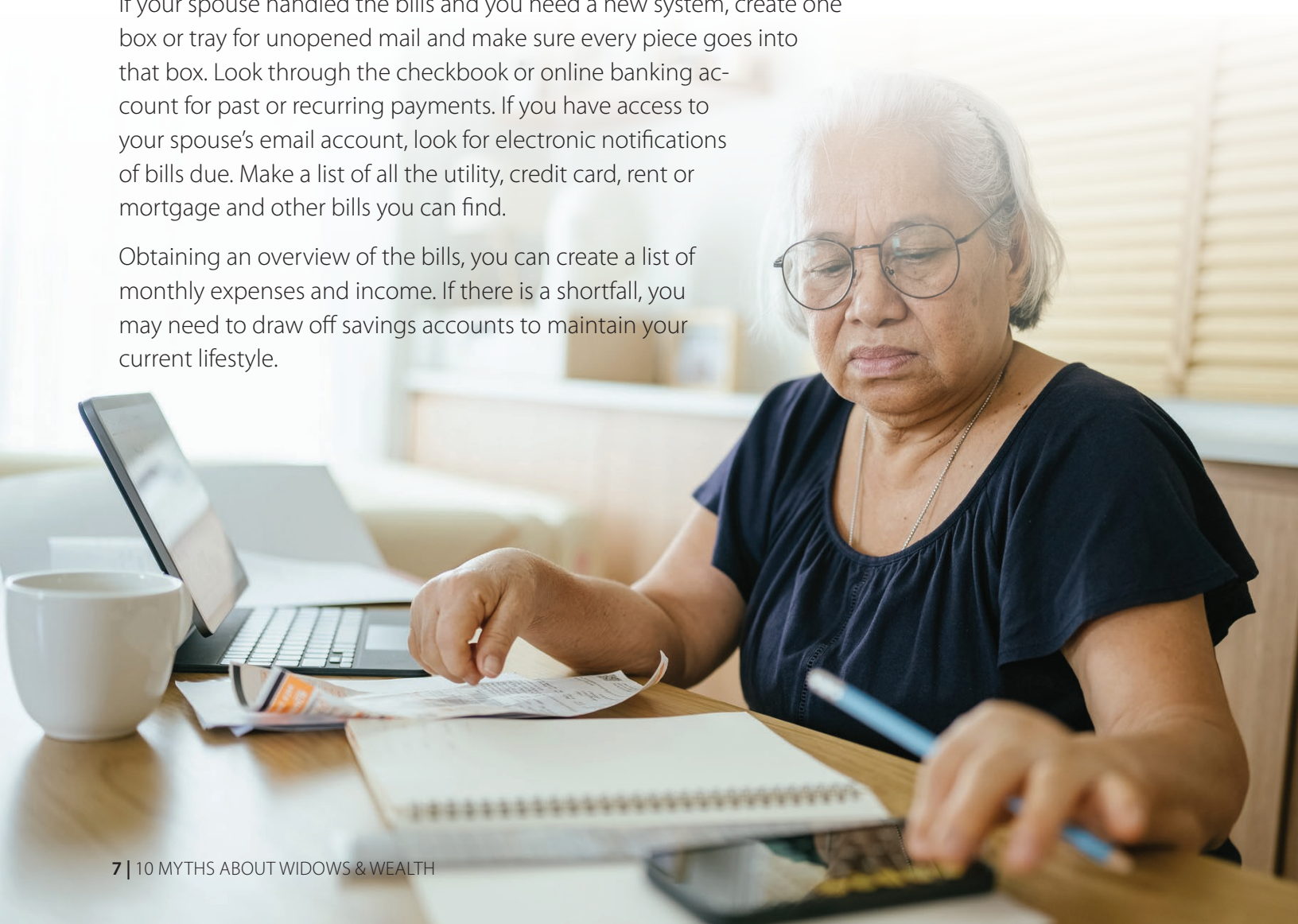
Get a notebook for logging conversations with your spouse's employer, Social Security clerks and others. Advisors and survivors say this is essential in the foggy, early days of grief.

"I kept notes on everything," says widow Sue Knight Deutsch. "I had a notebook and every time I made a call I wrote down a date and case number for the call so when I would call again and get a new person I could tell them the number."

Organize the Bills and Create a Budget

If your spouse handled the bills and you need a new system, create one box or tray for unopened mail and make sure every piece goes into that box. Look through the checkbook or online banking account for past or recurring payments. If you have access to your spouse's email account, look for electronic notifications of bills due. Make a list of all the utility, credit card, rent or mortgage and other bills you can find.

Obtaining an overview of the bills, you can create a list of monthly expenses and income. If there is a shortfall, you may need to draw off savings accounts to maintain your current lifestyle.





MYTH #3: WIDOWS SHOULD MAKE ALL FINANCIAL DECISIONS IMMEDIATELY SO THEY CAN GET ON WITH THEIR LIVES.

This is the opposite of Myth 2 and equally misguided. After the death of a spouse, press the pause button. Make no irreversible decisions during a time when your decision-making abilities may be compromised.

"The first thing a widow should do is keep her hands off anything that doesn't require immediate financial decisions," says Maddy Dychtwald of Age Wave, which focuses on working with seniors. "Your emotions are running so high."

It can be hard to resist big, decisive moves, though, given that a lump sum insurance check may be landing and a widow may desperately want to march through every important decision and get on with her life. But hasty decisions about, say, paying off the mortgage or jumping into an annuity can lead to a lot of regret if you need more liquidity years later.

If you have a financial advisor, you can lean on him or her to help you with the balancing act of determining what needs immediate attention and what can wait. Relying on the financial expertise and clear-headedness of others when you become a widow can be a big benefit.

"Asking for help of people you trust helps you ... take charge little by little," says Dychtwald. "Widowhood is a big deal, and we shouldn't discount it." But, "by gaining financial knowledge and confidence, you can build resiliency and courage and come out the other side feeling financially empowered."

Source: "How can you prepare for the financial shocks of widowhood?" – PBS, October 5, 2018: <https://www.pbs.org/wnet/chasing-the-dream/stories/preparing-for-the-financial-shocks-of-widowhood/>



MYTH #4: WIDOWS SHOULD ABIDE BY THE FINANCIAL STRATEGIES HER HUSBAND FAVORED.

Before your spouse died, he may have favored a particular investment strategy. Now that you're on your own, your budget and long-term planning needs will almost certainly change, and you may decide that the strategy he favored isn't the right fit for you.

You may also decide to direct some of the money from death-related benefits to new investments. As with any investment decision, it's important to do your homework before leaping into the market, and try not to let emotions or loyalty to your husband cloud your judgement.


A case in point is a trust that was encountered ten years ago by financial planner Anthony Ogorek in Williamsville, New York. The trust was left by a husband for his widow, and he had included instructions 30 years earlier that the money could only be in AT&T stock and AAA-rated bonds. That may have been sound advice back then, but today AT&T is no longer the monopoly it once was, and AAA-rated bonds no longer yield anything near what they did 30 years ago.

Ogorek refers to this as "fighting the ghost," where men leave concentrated positions in certain investments to their heirs along with instructions never to touch them. And their widows – either out of loyalty or because they believe that this is the last protection they have left from their late spouse – can't bear to defy them. But it is rare that a concentrated position in any investment is good for a widow.

"In the quest to protect her, he's created a vulnerability," Ogorek says.

Maybe the best way to express loyalty to your husband is to take care of yourself as he would want you to. If that means altering your investments to take less risk or improve your circumstances, he would likely agree with your decision.

Source: "For the Recently Widowed, Some Big Financial Pitfalls to Avoid" – by Ron Lieber, New York Times, Sept. 2, 2011: <https://www.nytimes.com/2011/09/03/your-money/4-money-pitfalls-every-widow-should-avoid.htm>



MYTH #5: YOU CAN RELY ON FAMILY AND FRIENDS FOR FINANCIAL ADVICE.

You can rely on them for comfort, but not for financial advice unless they're trained, seasoned financial professionals. You wouldn't go to them for heart surgery, would you? Your financial health is the same – it's too critical to trust to amateurs.

You need a professional who is experienced in the intricacies of investing, including risk tolerance and diversification; Social Security claiming strategies; various kinds of insurance; retirement and other long-term planning; taxation; healthcare and Medicare; estate planning; and other facets of your financial life. Unless your friends or family are well-versed in these issues, you could end up making serious mistakes that will sabotage your remaining years, making them far less pleasant than you'd like.

If you and your husband were going to a financial advisor, get to know the person. Industry research indicates that 70% of widows with financial advisors fire them shortly after their spouse's death¹ — largely because they never bothered to develop a relationship. You might be pleasantly surprised if you take the time to do so.

If you need to find a financial advisor or a new one, there are resources for locating someone caring, competent and trustworthy, such as:

- SEC's background tool at:
<https://www.investor.gov/>
- FINRA's BrokerCheck tool:
<https://brokercheck.finra.org/>

Most financial advisors offer no-cost, no-obligation meetings so you can get to know them, learn about their education and experience, and ask for references. If you find someone who's a good match for your needs and personality, you'll have a lifetime resource to help keep your financial life on track with your changing needs and the ever-shifting economic environment.

1. Source: "Trust and confidence: how one advisor forges personal bonds with widowed clients" – by Andrew Foerch, CityWire, July 21, 2021: <https://citywireusa.com/registered-investment-advisor/news/trust-and-confidence-how-one-advisor-forges-personal-bonds-with-widowed-clients/a1532957>



Social Security Benefits Application

Part One - General Information

Last Name:

First Name:

Home Address:

Social Security Number:

Date of Birth:

Telephone Number:

MYTH #6:

YOU MUST WAIT UNTIL RETIREMENT AGE TO FILE FOR SOCIAL SECURITY SPOUSAL BENEFITS.

Not true. Widows don't have to wait until retirement age to receive the Social Security benefits related to their spouse's years paying into the system. Widows are eligible for Social Security survivor benefits starting at age 60. They may later choose to file for their own Social Security benefits at retirement age to replace the survivor benefits.

Surviving spouses may also choose to delay collecting survivor benefits while collecting their own Social Security benefits at age 62. In either

case, Social Security benefits grow when one account remains untapped for a few years.

Mike Piper, a Certified Public Accountant who runs the investing blog "Oblivious Investor," says that survivors who collect from one Social Security account while letting the other one grow are essentially accessing "free money." Unfortunately, Piper says, "A lot of times people simply don't know about it, so they don't file." Consider consulting a financial professional to determine what choice is right for you.



MYTH #7:

WIDOWS SHOULD CHANGE THEIR JOINT CHECKING ACCOUNT INFORMATION AS SOON AS THEY CAN.

No, it is best to wait, and it's not about nostalgia. It's practical to leave your spouse's name on your joint checking account for at least a year because, during that time, you may still find yourself receiving checks in his name.

It's surprising how many checks payable to a deceased spouse filter in over time: a stock dividend, a rewards refund from a credit card, the proceeds of a class action suit or the balance of a bank account following probate.

Wynne Whitman, an estate planning attorney in Florham Park, New Jersey, says: "By all means, keep a joint bank account open for one to two years. So when that refund from Time magazine comes, you'll be able to deposit it."

Also, don't close your spouse's credit card account until you understand what bill-paying may be tied to it through auto-pay options.



MYTH #8: WIDOWS SHOULD SELL THEIR HOMES AS SOON AS THEY CAN.

Some widows may be tempted to sell their homes quickly following a spouse's death. While emotionally that may feel like the right choice, it could be the wrong one financially. As a general rule of thumb, it's usually a good idea to wait at least a year to make such a major financial decision. This gives you time to process the initial shock of your loss.

If you do end up wanting to sell your home, keep in mind that you might save significantly on taxes by selling it within two years of becoming a widow. Below is a brief overview of the situation.

Taxes When Selling Your Home

First, the bad news: if you make a big profit from the sale of your primary residence, the IRS wants a cut. Depending on your current tax bracket, the tax rate could be as high as 20%.

Now, the good news: most (if not all) of the profit may be exempt from taxation. For single taxpayers, the first \$250,000 of profit (remember, that's profit, not sale value) is exempt from the capital gains taxes. For married taxpayers filing jointly, the first \$500,000 of profit is exempt.

Tax Exemption When Selling a Widow's Home

Here's where a special provision for widows could lower your tax bill. It's a bit complicated, but you should at least be aware of the situation.

In most cases, a widow files "Married Filing Jointly" in the year of her spouse's death. A sale of the home would thus receive the \$500,000 capital gains exemption.

After that first year, widows without dependents must file as single taxpayers. That would mean that the exemption would normally drop down to \$250,000.

However, the IRS will give widows the full \$500,000 exemption if the home is sold within two years of their spouse's death. This holds true even if the widow files as a single taxpayer in the second year.

After the second year, the exemption drops back down to \$250,000. Be aware, to take advantage of this provision, you can't be remarried.

Caveat

While this exemption is great news for some widows, don't let it rush you into selling a home, delay remarrying or otherwise guide your life. Consider it only if it happens to fit into your life's plan.



MYTH #9: HUSBANDS AND WIVES DON'T NEED TO SET UP JOINT ACCOUNTS.

This myth is based on the premise that the survivor will inherit everything as long as a will leaves the survivor everything or as long as the survivor is specified as beneficiary. Even so, there are reasons for setting up joint accounts, which many financial advisors consider “the gold standard.”

One of those advisors is Mary McDougall of Merrill Lynch in St. Paul, Minnesota. She favors joint tenants with right of survivorship because:

- They allow the surviving spouse to inherit the contents of an account without triggering a gift tax.
- Brokerage and bank accounts held jointly can't be frozen during probate.

McDougall has also found that it can save hassles for spouses to have any household account — utility, telephone, TV — held in both names. That way, when a death does occur, the surviving spouse is on record as an existing customer.



MYTH #10:

YOU SHOULDN'T DISCUSS FINANCIAL MATTERS BEFORE COMMITTING TO A LONG-TERM RELATIONSHIP OR REMARRYING.

If you decide to date, be careful about any partner who sees you as a bank to withdraw money anytime he wants to. That's why it's critical to keep your personal finances to yourself and wait until you get to know the other person better.

Kathleen Rehl, a widowed financial planner who experienced the situation herself, says, "I tell my widowed clients that it is probably a good idea to investigate [would-be partners]. I have done my own criminal background searches and discovered that one person who I didn't date that long had a lien on his property and had declared bankruptcy in the past."

If remarriage seems a possibility, Rehl recommends that a widow makes sure her new husband can support himself — through job, investments or income from family sources. Why all the precaution? Because of the experiences Rehl heard about from talking with widows:

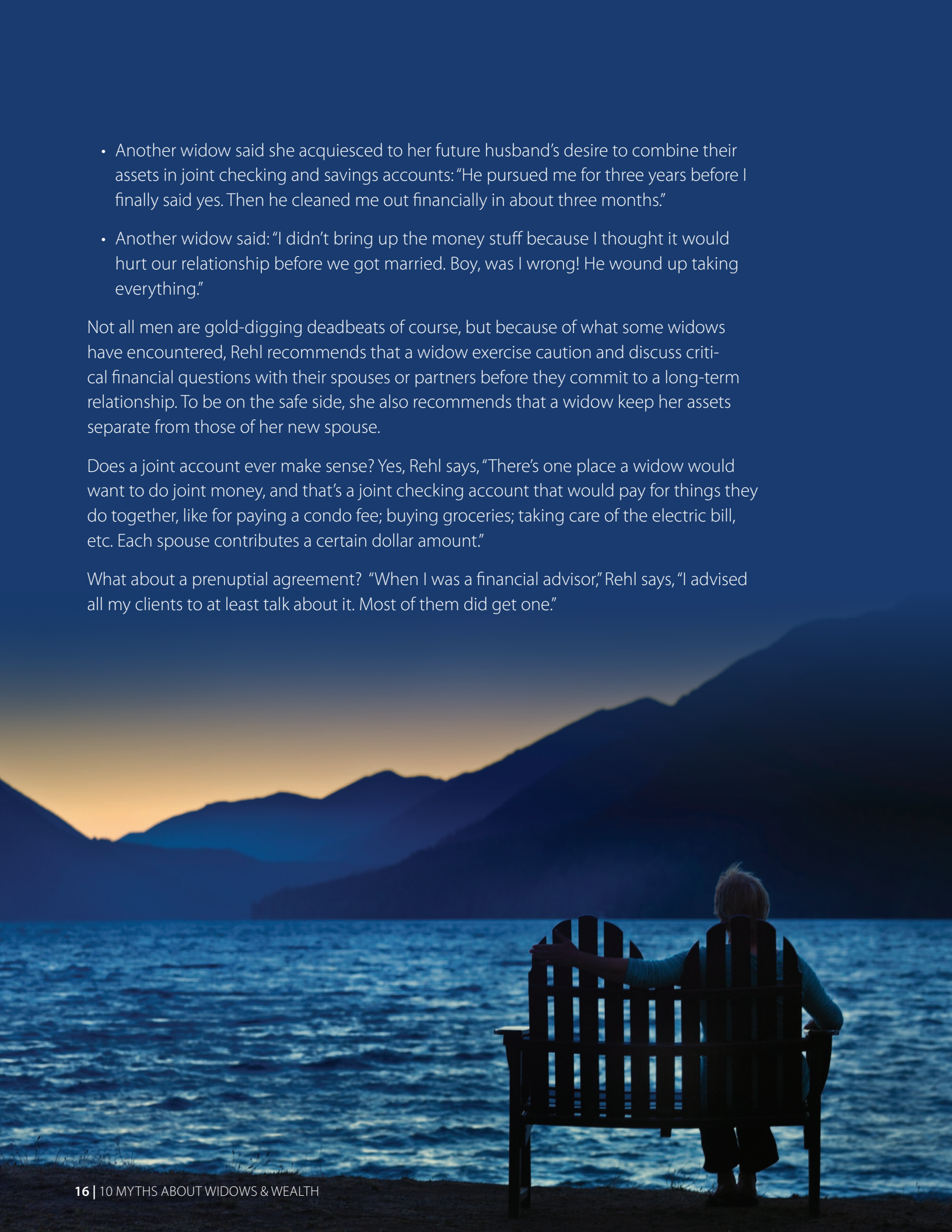
- One widow said, "Don't you let no sad puppy man follow you home and expect that you'll save him. He'll take advantage of you. And if you let him live with you and he's in bad shape financially, you're in trouble."

- Another widow said she acquiesced to her future husband's desire to combine their assets in joint checking and savings accounts: "He pursued me for three years before I finally said yes. Then he cleaned me out financially in about three months."
- Another widow said: "I didn't bring up the money stuff because I thought it would hurt our relationship before we got married. Boy, was I wrong! He wound up taking everything."

Not all men are gold-digging deadbeats of course, but because of what some widows have encountered, Rehl recommends that a widow exercise caution and discuss critical financial questions with their spouses or partners before they commit to a long-term relationship. To be on the safe side, she also recommends that a widow keep her assets separate from those of her new spouse.

Does a joint account ever make sense? Yes, Rehl says, "There's one place a widow would want to do joint money, and that's a joint checking account that would pay for things they do together, like for paying a condo fee; buying groceries; taking care of the electric bill, etc. Each spouse contributes a certain dollar amount."

What about a prenuptial agreement? "When I was a financial advisor," Rehl says, "I advised all my clients to at least talk about it. Most of them did get one."



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