

PERSPECTIVES

Death of Spouse or Partner - What to Do?

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The loss of a spouse or life partner is traumatic. The ability to function, to analyze and synthesize information, and to make decisions can be impaired.

It is important that the survivor progress in an organized and deliberate manner and that he or she seek the appropriate advice to avoid making costly errors.

Immediate Issues

There are several activities that must occur immediately upon the loss of a spouse or partner. These include contacting friends, relatives, and business associates; making decisions regarding the funeral services or implementing the pre-planned arrangements; and communicating the appropriate means to honor the deceased such as the names of charitable organizations to which contributions can be made.

· Planning Suggestion: What can you do now? The more preparation that is done during your lifetime, the easier this stage is for your spouse and family. Communicating your wishes concerning final internment through a letter of instruction maintained with your important papers can be very helpful. Likewise, pre-planning and paying for your funeral can eliminate these decisions for your family and perhaps alleviate a potential financial strain.

Financial Issues

The sage advice for relationship survivors is to avoid making major decisions, such as downsizing your home or relocating, for six to twelve months. Waiting an appropriate amount of time will hopefully allow the decisions to be made with an informed understanding of the impact and based less on emotion and fear.

Unfortunately, there are other decisions concerning financial issues that may need immediate attention. Some of those issues involve the following:

- Changing title on any assets or claiming IRA or life insurance benefits should not be done without first discussing these issues with your estate attorney. It may be more beneficial to "disclaim" the right to inherit and allow the contingent beneficiary to receive the asset. "Disclaiming" may allow the estate to utilize tax credits that may otherwise be lost.
- IRA and other retirement account benefits can be rolled directly into a spouse's IRA and treated as his/her own. However, depending on the need for funds, it may be more appropriate to leave the funds in the participants name to accelerate distributions.
- Life insurance proceeds are available to the beneficiary free of income tax. Unless the distribution method has been pre-selected, the proceeds will be available as a lump sum. The beneficiary can then utilize these funds to pay the final expenses or estate taxes, if necessary. The insurance professional may suggest other options, such as reinvesting the life insurance proceeds in an annuity to receive lifetime payments. This may be appropriate in some circumstances, but will greatly restrict the family's access to the funds. This decision should not be made without a thorough review of the family's financial situation.
- Whether you pay off the mortgage or other debt with liquid assets of the estate or life insurance proceeds will depend on several factors, such as the loan interest rate and the future family cash flow. Liquidating debt may provide emotional comfort, but could potentially limit other financial planning options.
- Employee benefits of the deceased should be addressed as soon as possible. Earned, but unpaid salary along with unused vacation and sick days will provide additional income to the family and is generally provided automatically by the employer. Other benefits, such as the 401(k) savings account, pension plan, and deferred compensation, may require decisions on how to handle the proceeds prior to completing the necessary paperwork. The handling of any stock options can be more complicated. The vesting and expiration schedule may be accelerated due to the death of the participant. Therefore, it is important to obtain the information and take the appropriate action in a timely manner.
- Any unfinished business of the decedent, such as a purchase or sale transaction, that is in process should be reviewed thoroughly. First, assure that the transaction is legitimate since unscrupulous vendors have been known to falsify such information with the intent to cash in during a vulnerable time. Second, evaluate all the options that may allow the transaction to be continued, terminated, or modified to reflect the new situation.
- Social Security Administration needs to be notified to claim the death benefit as well as file for any survivor benefits for the spouse or eligible children. Medicare should be contacted if the decedent was receiving benefits. Likewise, if the decedent had served in

any branch of the military, the Veteran's Administration should be contacted to determine whether any benefits are available.

· Planning Suggestion: What can you do now? Spend time organizing all of your financial information and important papers. Create a specific location and keep the information updated. Spouses/partners should take time to share the information with each other so that each can have an understanding of the family financial situation.

A variety of information is necessary to work through the issues discussed above, such as social security numbers, birth certificates for all potential social security beneficiaries, and the marriage certificate. At the time of the death, multiple death certificates should be requested since an original will be needed to claim any of the benefits. Information concerning all investment accounts, real estate, life insurance policies, employee benefits, mortgage paperwork, and any other assets or liabilities should be kept up-to-date and available to both spouses.

Summary

The loss of a spouse or lifetime partner creates an emotional state that is not conducive to making sound decisions or being quickly proactive. Taking the time to organize information and to make certain decisions today can reduce the stress and anxiety created when such a situation occurs. In addition, it is important to seek the advice of your financial planner, estate attorney, and tax accountant to assure the strategies planned during your lifetime can be appropriately implemented.

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