MONEY SENSE

Widowhood: The loss couples rarely plan for — and should

No one is ever emotionally ready for the death of a spouse. But these tips can help you prepare for the decisions and financial implications of widowhood.

More than 15 million Americans are currently widowed, according to the U.S. Census Bureau as of 2022. Widows and widowers may experience shock and grief. But those widely shared emotions can eventually give way to financial challenges, including adjusting to being the sole financial decision-maker, dealing with a loss of income and navigating the paperwork.

Even as you learn to meet day-to-day needs and deal with issues like filing for life insurance and renaming joint accounts, more profound challenges may emerge. For newly single parents of young children, another worry is how to plan for their financial future — alone.

Older widows and widowers may find themselves dealing with other serious considerations. Those who have gone through a prolonged and expensive period of caregiving for their lost loved one, may worry about who will provide similar care for them.

While everyone experiences this profoundly difficult — but, for most couples, inevitable — life event differently, planning for the process can help alleviate the stress.

The importance of preparation

As difficult as it is to contemplate the loss of a spouse, taking steps to prepare can help the survivor better manage if the worst happens. The first thing to do is to take stock of your full financial picture, perhaps with the help of an advisor.

You will need an estate plan that includes a will, power of attorney, healthcare proxy, living will and possibly a trust. With minor children, be sure to name trusted guardians. And regularly confirm beneficiaries on your life insurance and retirement plans.

Share access to personal and joint plans with your spouse and designated representatives, organize paperwork and store estate documents in a convenient place.

The tools to move forward

When the unthinkable happens, critical paperwork and decision-making kick in. To cope with this painful transition, follow these steps.

Start by gathering all the necessary paperwork, including multiple copies of the death certificate, which you will need to share with financial and insurance companies. Pull insurance documents, birth and marriage certificates, wills, trusts and tax returns. File for the support you are entitled to, including life insurance claims and Social Security survivor's benefits.

You will need to untangle the finances you share. Remove your partner's name from joint accounts. If you are covered by your partner's healthcare plan, contact their employer or the insurance company. You should also ask about any survivor's benefits you may be entitled to from your spouse's employer, including deferred salary, bonuses or stock options.

Take stock of your assets, including retirement, investment and savings accounts. Working with an advisor can help you revisit your retirement plans and overall financial strategy. Finally, make sure you update your own estate plan.

Keeping an eye on the future

The financial burdens that come with the loss of a partner can be immense — especially for women, who are more than two times as likely to lose a spouse. Three-quarters of widows and widowers are women, and in the first two years after losing a spouse, women experience a 22% drop in income on average, according to the Stanford Center on Longevity.

That is when help from a knowledgeable professional can be invaluable. For example, how you manage a life insurance death benefit could affect your children's eligibility for future financial educational aid. Solo decision-making can be even more daunting when you have dependents at home. Research suggests that any financial decision that is not time-sensitive should be put off until you are feeling less emotionally vulnerable.

If the deceased spouse was the primary breadwinner, you may have to address issues around returning to full-time work and saving for retirement. As difficult as the day-to-day financial pressures may be, retirement needs to be a high priority so you can take care of yourself in the future. Especially when you become a widow or widower at a young age, your long-term financial health is an important goal. You can always borrow for your children's education, but you cannot borrow for your retirement.

Finding the courage — and financial confidence — to go on alone

Amid all the pain that losing a spouse brings, there is also healing. Widows and widowers can find courage and financial confidence that they never knew they had. In addition, these changes, although difficult, can help sustain you throughout your lifetime.

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