

Planning To Be Alone

Financial planning for eventual widowhood might be uncomfortable in the moment, but it could also be the greatest gift a spouse could give.

Many of the milestones we plan for in life are meant to be joyous – a wedding, the birth of a child, a college degree, retirement from a long career of working. However, responsible wealth management also means planning for less cheerful times, including the period following the death of a spouse. In that circumstance, taking the time now to plan for the well-being of the spouse living alone could preclude years of anxiety and loss of wealth.

One of the biggest joys of a longtime relationship is sharing life's adventures with someone you care about. Unfortunately, every relationship has an ending, either through a split or the death of one of the partners. For many couples, the death of a spouse can be devastating not only emotionally but

financially, especially if the deceased spouse was primarily responsible for managing the couple's finances.

WIDOWHOOD BY THE NUMBERS

- There were more than 25 million widowed or divorced women in 2019.
- Roughly 75% of surviving spouses in the United States are women.
- 53% of surviving spouses say they were not financially prepared for living alone.
- Only 14% of surviving spouses were making financial decisions by themselves before their spouse died.

Sources: U.S. Census data, Merrill / Age Wave
Widowhood Research 2018.

Here are four tips for what you can do now to plan for the financial security for both partners, come what may. ►

Planning To Be Alone *continued*

TIP NO. 1

Stay on top of all legal and financial documentation.

In addition to a will, all couples should draw up a power of attorney and healthcare proxy, which designate another person to make decisions regarding your financial and healthcare decisions, respectively, in the event you are incapacitated. Making these plans and communicating your wishes to your loved ones could minimize family conflict at a very difficult time. Also, be sure to check that all major assets are titled appropriately and that beneficiary designations on insurance policies, retirement plans, education plans, annuities, etc., are coordinated with your overall wealth transfer objectives.

TIP NO. 2

Make sure both partners are comfortable with the couple's finances.

This doesn't mean you both have to balance the checkbook every month – but both partners should have a basic grasp of the family's assets, debts, balances and expenses. Make sure all statements, policies and legal documentation can be easily located and accessed, including keys for safe deposit boxes and usernames and passwords for electronic files you might have. We've seen many instances where the partner who managed the finances left notes explaining insurance policies and bank statements – they can be especially useful for a surviving spouse already going through a family crisis and unfamiliar with the family's finances.

TIP NO. 3

Make sure the surviving spouse has the means to live on their own.

Evaluate each partner's financial independence separately. If one spouse dies, will there be sufficient assets and cash flow to sustain the other? Does each spouse have access to all financial accounts? Could each spouse access a line of credit or open a credit card account, if needed? What about insurance or healthcare? It's not uncommon for even financially savvy families to underestimate the impact of a loss of wages or employer benefits.

"We have a client whose husband recently passed away. In the course of helping her sort through the financial paperwork, we realized their credit card was not a joint account – she was an authorized user, but the account was in his name. Because he opened all of their financial accounts, when he died, their credit card account was closed – and because she did not have a credit history to draw on, she was unable to get a new card. For a lot of older couples, this can be a major, unexpected financial obstacle for the surviving spouse."

TIP NO. 4

Revisit your financial plans.

It's likely that many of your financial plans were put into motion with an assumption that both spouses were alive and together. Upon the death of a spouse, you might need to rethink decisions around when you'll want to retire and how soon to file for Social Security – especially if you need to spend down some of your assets to care for a spouse who ultimately passes away. Make it a regular, dynamic process: There are lots of variables at play – market valuations, legislation around taxes or Social Security, or even changes in your own life surrounding health or family dynamics – that could have far-reaching effects on your plans.

Perhaps the most important piece of advice is to take time to grieve. Very few financial decisions will require action right away, and making these important decisions about your future will require objectivity and a clear head. Remember that your Baird Financial Advisor is already familiar with your financial circumstances, values and priorities and could be a great resource to lean on during difficult times.

For more information on what you can do to make sure your financial plan will accomplish what you need it to, contact your Baird Financial Advisor team.