

Morgan Stanley

# Financial Well-Being After the Death of a Spouse

Navigating Through Personal Loss Toward Financial Security



Losing a spouse may be one of the most traumatic events you ever face. This devastating loss drains your emotions and makes it hard to focus on simple daily tasks, let alone financial matters. But financial obligations are a fact of life — there are bills to be paid and decisions to be made. Taking an active role in understanding the key financial issues you face can help you begin to implement a plan that will bring more confidence and clarity to your future.

## Your Journey to Financial Well-Being

Your new financial reality can be intimidating, especially if your spouse was responsible for controlling your family finances. Suddenly you are faced with an unfamiliar set of worries: Do I have enough income to maintain my lifestyle? Will I be able to stay in my house or will I need to sell it? What do I do about my spouse's retirement account? Can I collect on my spouse's Social Security benefits?

These questions can be overwhelming and confusing. Rather than tackling them all at once, start with these four important steps to begin your journey to financial well-being:

**1. GATHER ALL YOUR FINANCIAL DOCUMENTS.** This may include bank and brokerage statements, retirement statements, credit card statements, loan information, property titles, business agreements, tax returns and life insurance policies.

**2. PRIORITIZE YOUR FINANCIAL OBLIGATIONS.** Pay the most important obligations first. These typically include mortgage and car payments, taxes, utility bills and insurance premiums. If you're not sure how much cash you have available, consider making minimum payments on credit cards until you have a budget in place.

**3. HONOR A "DECISION-FREE ZONE."** While some financial decisions require immediate attention, others can wait. Consider committing to a one-year "decision-free zone" where you avoid making any major, irrevocable decisions that involve large investments, gifts to family members or charities, and your home. Instead, focus on paying the bills and running your household as you usually do. If you receive a sum of money from an insurance policy, deposit it in the bank. This will give you the time you need to adjust to your new life and make more objective financial decisions.



## THE FINANCIAL CHALLENGES OF LOSING A SPOUSE

2X

Among those aged 75 and older, women are more than two times as likely as men to have lost a spouse<sup>1</sup>

14%

Of women were making financial decisions by themselves before their spouses died<sup>2</sup>

53%

Of widows say they and their spouse did not have a plan for what would happen if one of them passed away<sup>2</sup>

76%

Of married retirees said they wouldn't be financially prepared for retirement if their spouse died<sup>3</sup>

**4. CREATE A PLAN AND STICK TO IT.** Determine your spending needs by tracking your household income and expenses for a few months. This will help you understand how much you will need to achieve your definition of financial security.

## Working Through Your Financial Checklist

### BANKING

- Begin retitling joint accounts, but consider keeping a joint checking account open for at least one year in case you receive checks payable to your spouse.

### INSURANCE

- Cancel any health insurance or other premiums for your spouse.
- Contact your spouse's former employer to ask about COBRA health coverage.
- If your spouse had life insurance, notify the insurer and ask about your payout options.

### EMPLOYER BENEFITS

- Contact your spouse's former employer and ask about unpaid salary, bonuses, stock options, accrued vacation days, unused sick pay, or deferred and equity compensation plans.

### RETIREMENT AND SOCIAL SECURITY

- Evaluate your options for Social Security. Social Security pays a one-time death benefit and you may also be eligible for survivor's benefits.
- Determine when and how to take any retirement plan distributions due to your spouse or you.

### ESTATE PLANNING AND TAX RETURN

- Review and revise your estate planning documents.
- File a federal estate tax return, even if no tax is due, so you can preserve your spouse's unused estate tax exemption amount.

### BENEFICIARY DESIGNATIONS

- Update your beneficiary designations and agents on IRAs, trusts, life insurance and relevant legal documents, such as wills, power of attorney and health care proxy.

### HOUSEHOLD BUDGET

- Update your budget based on current expenses and sources of income.

## Surrounding Yourself With a Team You Trust

Regaining your financial balance after the loss of a spouse isn't easy, but you don't have to do it alone. It may be a good idea to surround yourself with a support team you can trust. An experienced team of advisors, including an accountant, estate attorney and financial advisors, can help you make informed decisions and provide critical support during this difficult time.

<sup>1</sup> U.S. Census Bureau. Marriage, Divorce, Widowhood Remain Prevalent Among Older Populations, April 22, 2021.

<sup>2</sup> WISER. Going It Alone—A Guide for Widows, February 2020. Available at <https://www.wiserwomen.org/resources/widowhood-fact-sheets/going-it-alone-a-guide-for-widows/>.

<sup>3</sup> Aging in Place. Facing the Financial Shocks of Widowhood, April 2021. Available at <https://aginginplace.com/facing-the-financial-shocks-of-widowhood/>.

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