Financial Steps to Take If Your Spouse Dies First

Including this: don't make big decisions within the first 6 months if possible

When a spouse dies, the emotional magnitude of the loss can send your life reeling. It can also affect your finances. You are pressured to do many things all at once. It is best to leave off bigger long-term decisions until later, when you are less distressed by your bereavement. With the passage of time, you may give thought to the short and long-term financial and lifestyle consequences of your loss, and you can deal with them then.

There are, however, certain steps that you must take soon after your spouse dies.

- First, you must deal with the funeral arrangements and all the expenses that entails. Contact family members, friends and your spouse's employer to tell them of the death.
- Gather as many records as you can find to document your spouse's life and passing. Be sure to locate records of birth, death, marriage, divorce, military service, investments, insurance, taxes and employee benefits.
- At some point, consult with legal, tax, insurance and financial professionals to handle your late spouse's financial issues. Assuming your spouse left a will, and did not die intestate (i.e., without one), make sure you locate the document. Keep it securely in a safe or a safe deposit box, along with life insurance policies, list of financial holdings, real estate and names of legal, tax and financial advisors. The will dictates the distribution of any assets and the settlement of the estate.
- Review his or her written wishes with an attorney. Contact your insurance agent to start the claims process and reevaluate your own insurance needs. The agent might also review and perhaps alter beneficiary designations. Your spouse's financial

advisor, banks and investment firms must also be notified so that his or her investments and savings are properly distributed according to the beneficiary forms for these accounts.

- The beneficiary forms commonly take precedence over bequests made in a will. This is why it is important to periodically review these account designations. If there is no beneficiary form on file with the account custodian, the assets are distributed according to the custodian's default policy, which often directs assets either to a surviving spouse or the deceased spouse's estate.

With the death of a spouse, beneficiary designations on investment accounts and insurance policies in your name likely must be revised. You and your attorney need to contact the executor, trustees, guardians and heirs relevant to the estate and access the appropriate estate planning documents.

Your attorney can also inform you of the possibility of probate, the court process that governs distribution of assets.

1.1.1 Is a Trust a Good Idea?

A revocable living trust (or other estate planning mechanisms) may allow you to avoid this process. Joint tenancy and community property laws in many states also help. The executor for the estate should obtain an Employer Identification Number (EIN) from the Internal Revenue Service.

Notify any creditors, banks, credit unions and financial firms that your spouse had a financial relationship with. You must address any debts, and may need to set up a separate credit line for that.

1.1.2 Moving on Financially

Certainly, you had an idea of what your retirement would be like together. How does your partner's death change that idea? Will you replace potential sources of retirement income?

To maintain your standard of living after the loss of your spouse, make sure that you secure survivor and spousal benefits. Contact your local Social Security office about this. Your spouse's employer should put you in touch with the person overseeing its employee benefits plan. If your spouse worked in a civil service job or was in the armed forces, contact the government agency or the military branch about how to file for survivor benefits.

If your spouse owned a business or professional practice, check to see whether there is a defined succession plan in place for its short-term continuation. A partner or key employee might take the reins for the time being or for the long term. You will also have to decide to what extent you wish to be involved in your late spouse's business.

1.1.3 Taxes

The loss of your spouse may significantly alter your tax picture. There may be tax implications on charitable gifts you and your spouse recently arranged or planned to make. Property left to a surviving spouse or a tax-exempt charity is exempt from federal estate tax. Any property gifted by your late spouse during his or her life is not subject to probate. Be sure to re-title any jointly held assets, such as investments, bank accounts and real estate.

If you have dependent children, determine whether you can sustain the family's lifestyle on a single income. You may also need a new way to address college funding.

Some widowed spouses consider selling a home or moving to be closer to adult children, but the aftermath of a spouse's passing is not the clearest moment to make such decisions. In a painful time of loss, remember not to act rashly.

A good rule of thumb is to not make new big financial decisions until at least six months after becoming a widow or widower.