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# Financial Considerations of Widowhood

February 21, 2018

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Losing a spouse is never easy and a difficult topic for many to even imagine. But when you become a widow or widower, moving beyond the grief to address important financial items in your life is essential. Whether you recently lost your loved one or you need to prepare for the road ahead, here are some considerations that will help you keep your financial house in order.

## **1. Identify changes in your financial life**

Your financial life will immediately change once you lose a spouse. From lost income to changes in Social Security benefits and beyond, you will now need to address an array of financial items as you move into widowhood. Details such as creating a new budget and revisiting your living situation are important to examine as you identify your new economic profile and any changes to your standard of living. With the difficult decision-making ahead, consulting with a financial representative can help ensure you make the right choices for your needs.

## **2. Close any income gaps**

When your spouse passes away, you may lose income you rely on for your financial standing. Unfortunately, as a result, widowhood can have dire financial consequences for the living spouse when a wage earner dies.<sup>1</sup> Women often have greater economic losses due to their own lower earnings throughout their lifetimes, further straining their finances. In fact, a woman born in 1948 earned on average roughly 46% less than men when working between ages 15 and 64 years old.<sup>2</sup> By identifying income gaps with your spouse's loss, you will be able to gain a better picture of how you need to fill those gaps moving forward.

## **3. Address your life insurance**

Throughout your adult life, you've probably had the protection of life insurance. Once you enter widowhood, you will benefit from years of protecting you and your family. Beneficiary payouts usually become an important source of income for survivors. First, you'll need to identify the value of your life insurance policy and what options you have. From there, you will want to create a strategy for how best to apply your benefits. For some, that may mean paying down a mortgage to lessen its debt obligations while others may need the income to support their living expenses. Your unique financial life and specific life insurance policy will drive what options are available and make the most sense for your needs. You will also want to address any changes you must make to your coverage now that your needs have evolved.<sup>3</sup>

## **4. Review your estate**

With a spouse's passing, you will also have to address your estate and prepare to manage it in the most tax-efficient manner. In addition to addressing possible income taxes from the year your spouse died, you may also need to manage filing estate or inheritance tax returns for federal and state obligations. You may also need to explore if

disclaiming property your spouse owned could improve your financial liabilities. Consulting with the appropriate attorney or accountant can help you identify your unique estate planning needs.<sup>4</sup>

Overall, losing a spouse is a difficult experience, no matter what stage of life you're in. While addressing financial items is never easy during a time of grief, doing so is critical for securing your financial wellness. If you are recently widowed or want to prepare for the possibility of losing your spouse, we are more than happy to help you explore what planning needs you must address.

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<sup>1</sup> <http://blog.ssa.gov/when-tragedy-occurs-your-family-can-count-on-us/>

<sup>2</sup> [https://www.treasury.gov/resource-center/economic-policy/Documents/The Economic Security of American Households-The Economic Security of Older Women.pdf](https://www.treasury.gov/resource-center/economic-policy/Documents/The_Economic_Security_of_American_Households-The_Economic_Security_of_Older_Women.pdf)

<sup>3</sup> <http://www.plannersearch.org/financial-planning/financial-challenges-divorce-widowhood>

<sup>4</sup> <https://www.tiaa.org/public/pdf/After-a-Loved-One-Passes-Away.pdf>