# Before the death of a spouse, here's how to prepare a financial plan for living alone

usatoday.com/story/money/columnist/2018/09/26/estate-planning-how-prepare-financial-plan-spouses-death/1355546002

Robert Powell, Special to USA TODAY Published 7:01 a.m. ET Sept. 26, 2018 | Updated 9:16 p.m. ET Sept. 26, 2018



(Photo: Getty Images)



*Corrections & Clarifications: An earlier version of this story misstated the amount of the current federal estate tax exemption.*

Of all the risks couples face in retirement, the death of a spouse is a certainty.

But they don't seem to be planning it, according to a Merrill Lynch and Age Wave study on widowhood. Consider:

- More than half (53 percent) of widows say they and their spouse did not have a plan for what would happen if one of them died.
- Seventy-six percent of married retirees say they would not be financially prepared for retirement if their spouse died.
- Following the death of a spouse, half of widows experience a household income decline of 50 percent or more.

So what should couples do to better prepare for the loss of a spouse?

## Plan for the obvious

There are 20 million widows currently in the U.S., and 1.4 million new widows annually, according to the Merrill Lynch/Age Wave study. Despite that, most married couples don't like discussing or planning for death, says James Watkins, III, a managing member of InvestSense.

But it's best to tackle this tough subject head-on given the potentially dire consequences.

## Get help

If you need help, consider talking to a qualified, trusted and competent adviser such as a certified financial planner.

“A new widow needs a comprehensive financial evaluation and plan,” says Steven Podnos, a certified financial planner with Wealth Care.

Watkins says professionals can help address what many couples overlook – the potential cash flow issues that emerge after the death of a spouse. “These are issues that need to be addressed as part of a comprehensive financial planning program early in a marriage,” he says.

For her part, Cary Carbonaro, a certified financial planner with United Capital Financial Advisers, recommends working with a certified financial planner long before becoming a widow or widower. After the loss of a spouse, the remaining partner “might make mistakes that will be difficult to recover from,” she says.

## Hire other professionals, too

Consider working with an estate planning attorney and an elder law attorney.

According to Watkins, an experienced and knowledgeable elder law attorney can perform a detailed inventory of the available financial resources and "help integrate Social Security, Medicare, Medicaid and other programs to maximize the benefit received,” he says.

“A good estate planning attorney can then determine if any asset protection/wealth preservation strategies are needed, in order to qualify for and preserve government benefits,” Watkins says. “For instance, due to the stringent requirements to qualify for Medicaid, estate attorneys will often draft an income-only trust to make sure an individual qualifies for Medicaid.”

## Do you have enough life insurance?

Forget for the moment whether you should buy term or cash value life insurance, the question you should be asking is do you have enough life insurance, Watkins says.

It’s “important to get the needed amount of insurance in case of an unexpected/premature death,” he says. A financial professional can quantify how much to purchase using any number of methods – human life, financial needs and capital retention.

## Don’t worry so much about federal estate taxes

With the current federal estate tax exemption at $11.18 million per person, most people do not have to worry about the tax implications of death, Watkins says.

But do worry about your retirement accounts and the beneficiaries of those accounts. “Inherited retirement plans are often the largest asset in someone's estate,” Watkins says.

The beneficiaries need to do a “forensic analysis” of the inherited plan's portfolio to first determine if the funds are legally prudent and then if the funds are appropriate given the changed circumstances.

“At this point, the widow needs planning, not product,” he says. “This is another area where estate attorneys and elder law attorneys can maintain the focus on planning and help protect widows financially.”

## Bottom line

The key to planning properly for the death of a spouse, Watkins says, is to determine exactly what the available financial resources are and calculate financial needs. Then plan on the best way to maximize those resources while getting additional ones through government benefit programs.

*Robert Powell is the editor of TheStreet’s Retirement Daily www.retirement.thestreet.com and contributes regularly to USA TODAY. Got questions about money? Email Bob at rpowell@allthingsretirement.com.*

On Monday, a Minnesota judge overseeing the legal proceedings in regards to Prince's estate said there will be no fast decisions on who should be allowed to inherit from the late star. USA TODAY