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sharing the financial plan and tasks

Sharing the plan means being organized and proactive as you prepare your contingency plans. Your partner may never need to take over, but if they do they will be far better equipped to navigate a challenging life event.

5 areas to consider

what's inside -

collaborating on financial tasks and future decisions

- bills
- taxes
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In order to make sense of this guide, consider reading our article Are You the Financial Expert in Your Relationship? if you have not already. It provides the context for our approach and advice.

bills

Pay them together at least once or twice a year. What accounts are there? Who is your mortgage servicer? How much are the monthly bills? What debts do you have? You must complete the tasks together in order to instill confidence.

taxes

In our opinion, tax returns are a one-person task, and doing a return together is probably not practical. That said, there are two ways returns are completed. Self-prepared returns typically involve software that guides you through the process of completing and filing your taxes. Once the intake is complete, walk through the return and the questions. Make sure there is a clear understanding of how data was found and how key questions are answered. Keep in mind that taxes can be totally perplexing for those who are unfamiliar. 1099? W2? Schedule A? Try to look at things through the eyes of a financial novice who is learning a new language.

Alternatively, many families work with a CPA or tax firm. If you work with a CPA, you are familiar with the tax organizer that is often sent out in January or February each year. Once you have filled in the organizer, review it together. Walk through where you found the data, when you receive forms and who to call when you have questions or issues. Lastly, make sure your CPA or financial advisor is willing to assist in a hands-on way. This is often a task that proves overwhelming to surviving spouses and can result in late filing or even a failure to file returns.

decision making

Talk about the types of decisions that might come up and what your partner should consider. As a rule of thumb, we encourage those who have recently lost a partner to hold off on making large decisions for at least a year. Grief can distort facts and get in the way of sound decision making. Time provides perspective and a better understanding of the situation.

Think about what the finances would look like. What decisions would your partner need to make? Are they equipped to make them? What are the critical things they need to do in the first year? What decisions should be put on hold? This discussion can branch off in a number of different directions based on family circumstances but it is critically important.

family dynamics

Family, money, and grief do not mix. Occasionally, people will assume an adult child will step into their role as financial caretaker. However, the responsibility of managing a spouse's finances should not pass to the adult children for several reasons. First, they are dealing with their own grief and loss. Asking them to navigate a new, challenging dynamic of simultaneously caring for a parent and grieving the loss of a parent is not reasonable. It can also lead to conflict and less than optimal decisions. To the latter point, we see many adult children insert their own biases into decisions. Their own life experiences and proximity to the situation may not allow them to view the situation objectively. Lastly, boundaries are important. Adult children may feel compelled to insert themselves into a parent's financial life if they do not understand what is expected of them.

planning ahead

Ultimately, the best course of action is to understand the personal capabilities, interests, and capacity of the spouse who is less engaged with the finances. In some cases, that individual can assume that role quite easily. In other instances, it may be unrealistic to assume they will be able to transition into that role after a lifetime of disinterest. We always encourage people to consider What does my partner need and want? Although you may not feel the need to seek out professional tax, legal, or financial advice, your partner may find it invaluable.

To be prepared, consider identifying trusted estate, tax, and financial advisers ahead of time. Interview firms and individuals to ensure that a surviving spouse can reach out to a trusted professional if they need assistance. As you consider tax advisors, focus on CPAs or EAs (Enrolled Agents). For legal advice, focus on an attorney who specializes in estate and probate. Lastly, the financial advisor should be a fiduciary. Fiduciaries are legally and ethically obligated to act in their client's best interests at all times. For a more complete checklist of how to vet an advisor, you can learn more by reading our article, 5 Questions to Ask Your Advisor.

Planning is all about organization, and you can do a great deal to prepare a loved one to work through the process. A good place to start is by simply writing down the steps for them to take and to list the items and people that are part of your financial life. Whether you choose to write these in a blank notebook, on a worksheet from a free online checklist, or in an Excel file, the most important step is getting your instructions down. Common information and documents to include are:

- Important and Official Documents
- Financial Accounts and Assets
- Property Deeds
- Important Contacts
- Identification
- Unlocking Electronics / Security (include lists of usernames and passwords)

links & resources

How to Create an Estate Plan

4 Areas of Your Estate Plan to Review

Generational Wealth Planning

Tasks and Considerations When Settling an Estate

Are You the Financial Expert in Your Relationship?

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