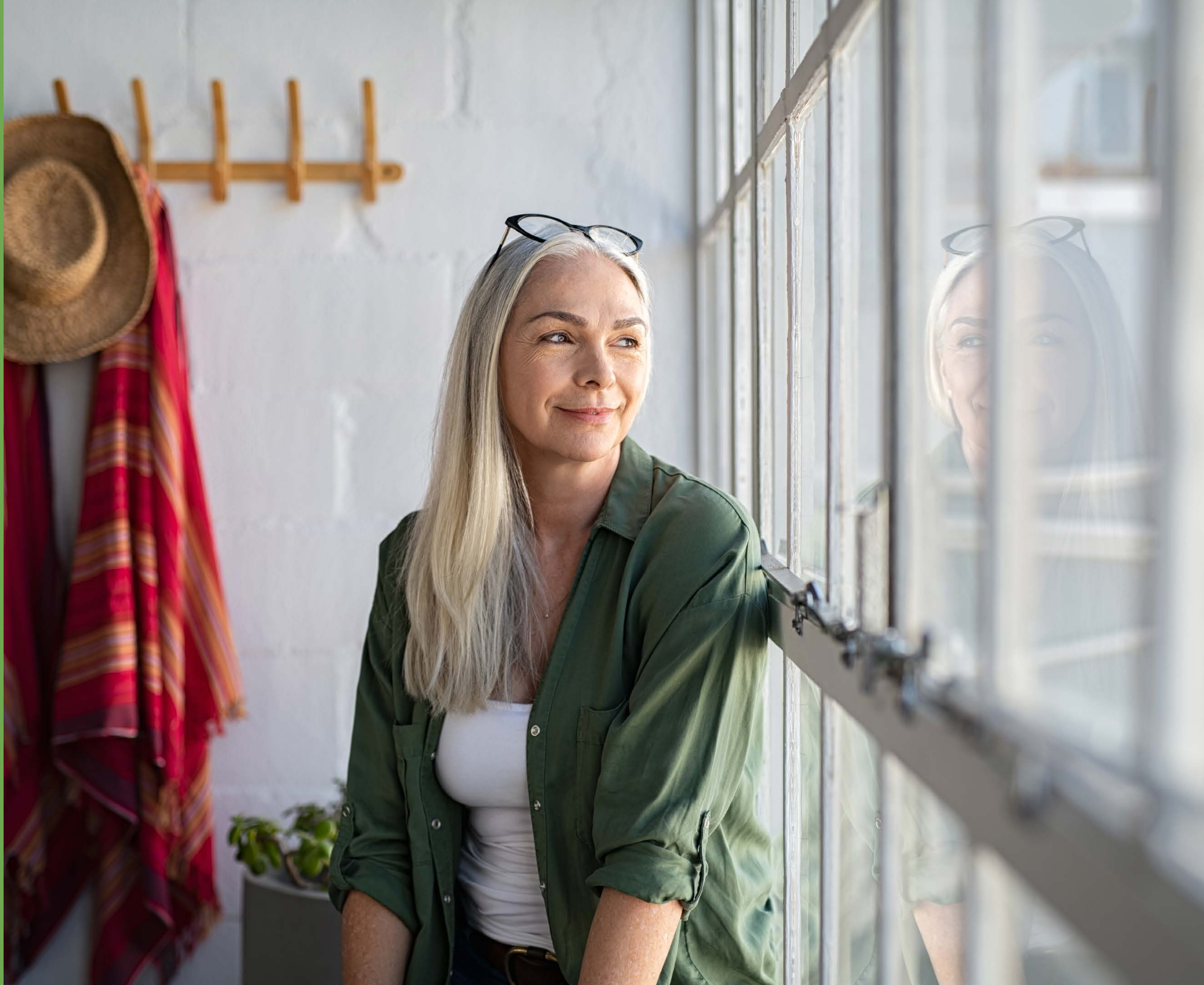
Adjusting Your Plans After Losing a Spouse



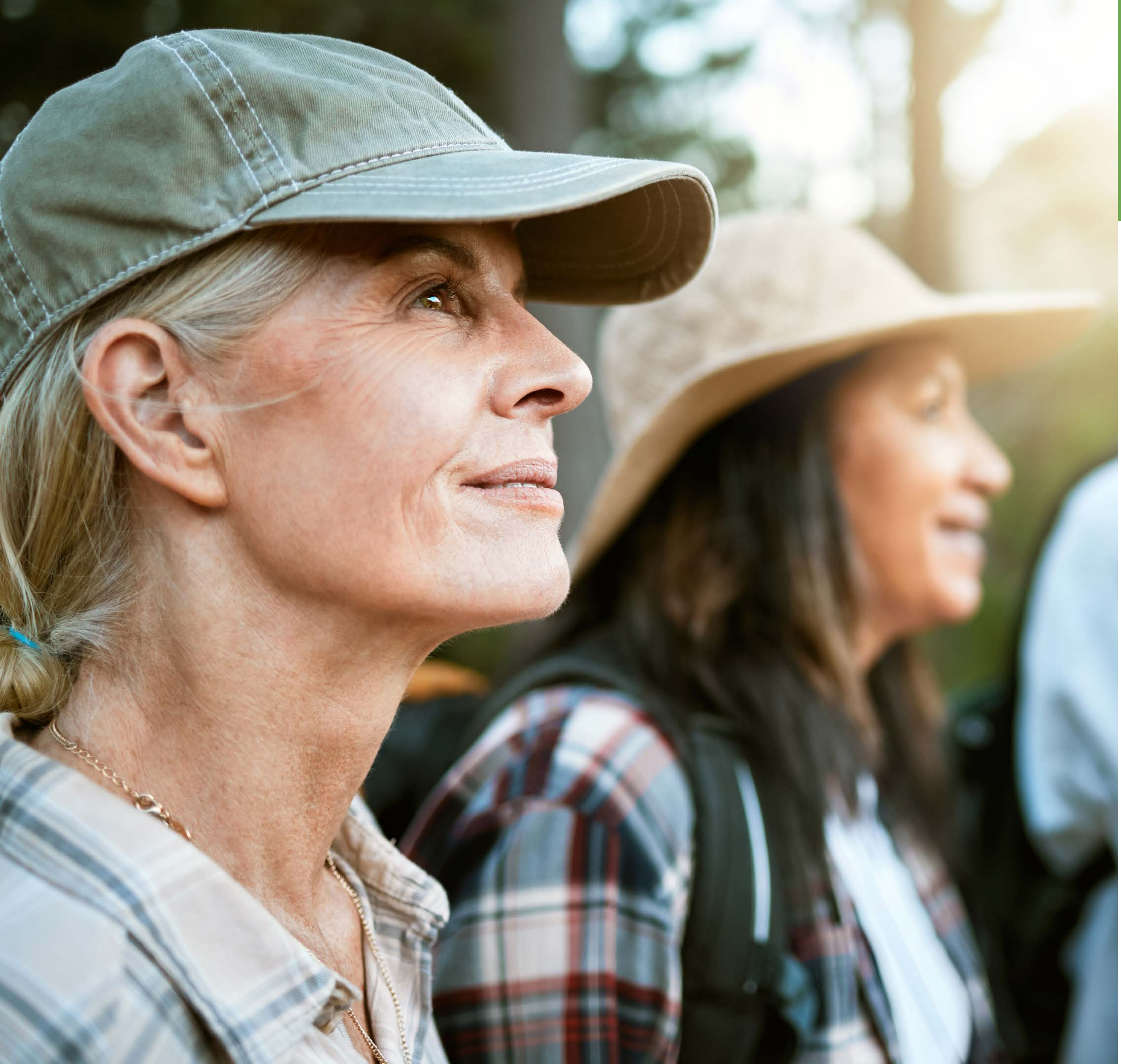
SACHETTA
For Life's Road Ahead

Adjusting Your Plans After Losing a Spouse

The death of a spouse forces you to revise the roadmap you had planned to follow for the rest of your life. Thinking about everything that's going to go into that process might be completely overwhelming while you're grieving your loss. Know that you don't have to deal with everything all at once, and you don't have to do it alone.

From tweaking your monthly budget to overhauling your estate planning documents and retirement plans, your wealth management advisors can help you make sure that all your financial plans reflect your new reality. You can focus your energy on adjusting and making the most of this next chapter in your life without worrying that you let something critically important fall through the cracks.

In this guide:



1 A Checklist for the First Year

The first year after the death of a spouse will probably be one of the hardest years of your life, if not the very hardest. Managing all the administrative work that has to be completed after a spouse's death could feel like a welcome distraction at times and an exhausting burden at others.

Triaging your to-do list allows you to focus on only the most important tasks at any given time and save lower-priority tasks for later on. Everyone's situation is unique, but here's an overview of the tasks that generally need to get done over the first days, weeks and months after the death of a spouse.

In the First Few Days:

- **Figure out funeral planning.** Hopefully your spouse shared enough about their wishes for their funeral services that making the arrangements is pretty straightforward, but funeral home staff can walk you through any decisions that you do need to make. You'll also need to figure out how you're going to pay for funeral and burial services (unless your spouse pre-paid for their final expenses). You might be comfortable paying upfront with a check or credit card. Considering final expenses can cost $10,000 or more, that's not going to be feasible for everyone. If your spouse had a life insurance policy, you may be able to assign some of the policy's payout to the funeral home to directly cover expenses. (Note that if your spouse was a veteran, the funeral director should be able to arrange for military funeral honors so you don't have to make these phone calls.)
- **Get copies of the death certificate from the funeral home.** It's a good idea to get at least five copies since you'll need to provide them to a few different entities later on.
- **Notify Social Security.** The funeral home will typically notify Social Security of the death, but you'll want to confirm that this is done.
- **Contact other people who should know about the death ASAP.** This list might include your spouse's employer, any past employer making pension payments, and anyone who might need to travel for the funeral services.

In the first few weeks:

- **Find and review all your late spouse's estate planning documents and other important documents.** Specifically, you'll want to look over your spouse's will and any trust documents they might have created. Gather any deeds or titles for property your spouse owned and any paperwork you can find for their insurance policies, investment accounts and retirement accounts.
- **Contact your spouse's insurance carriers and financial/ government institutions.**

  Institutions you may need to inform of the death include:

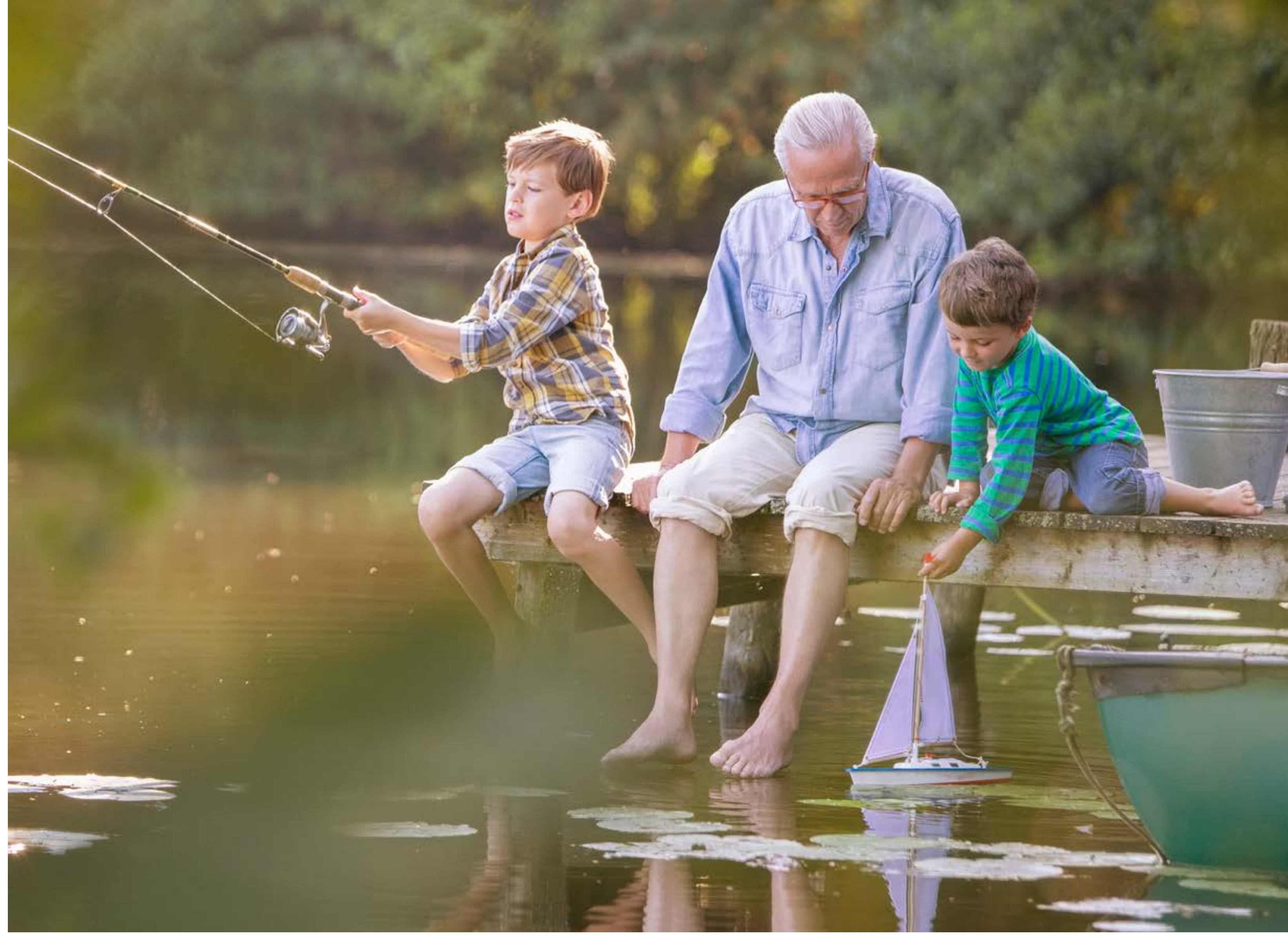
  - ***Banks and credit card companies.*** Any joint accounts that give you "right of survivorship" should become your sole property after your spouse's death. Any sole bank accounts or credit cards that were in your spouse's sole name will need to be closed (which may require some probate court work). You'll need to bring a copy of the death certificate to any banks where your spouse did business in order to inform them of the death.
  - ***Health insurance companies.*** What happens with your health insurance now? It depends, but you'll definitely need to get in touch with the insurance carrier(s). If your late spouse was covered by a health insurance policy sponsored through your employer, you may be able to simply remove them from your policy. If you've been receiving coverage under your spouse's employer-sponsored plan, you may be able to extend your coverage temporarily through COBRA but will eventually need

a new health insurance solution. Or, if you purchased coverage through the health insurance marketplace, the death of your spouse is considered a qualifying event that allows you to make policy changes outside of the usual enrollment window. Your insurance planners can help you navigate these options.

- ***Retirement systems.*** If your spouse was a government employee, a teacher or otherwise covered by an employer's retirement system, contact them to report the death and learn about any survivors benefits you might be owed.
- ***Veterans' associations.*** Funeral home staff may arrange for a veteran to receive military funeral honors, but it's the family's responsibility to inform the VA of their death and stop any benefits the veteran was receiving.

Note that you don't have to inform the IRS of a person's death until filing their final tax return. Medicare shares records with the SSA and also doesn't need to be notified. If your spouse owned any vehicles, you may be able to transfer the titles into your own name without having to wait for the probate process to start. You'll need to visit the Registry of Motor Vehicles with documents including a copy of the death certificate and an Affidavit of Surviving Spouse. Once you get vehicles retitled in your name, you're free to sell them or do whatever you wish with them.

- **Contact one of the credit bureaus.** To prevent someone from stealing your late spouse's identity and running up credit card debt, you should report your spouse's death to one of the three major credit bureaus by mailing in a copy of the death notice. They'll notify the other two bureaus and a deceased notice will be attached to all your spouse's credit reports to make it harder for someone to steal their identity in the future.



- **Contact your attorney for help settling the estate.** Set up an appointment to start the process and find out first steps. (You're probably named as the personal representative in your spouse's will; if not, that person will need to be looped in too.)
- **Start canceling paid services and subscriptions.** This list might include your spouse's cell phone policy, gym membership, magazine/newspaper subscriptions, streaming services and memberships in trade associations and other groups with membership fees.

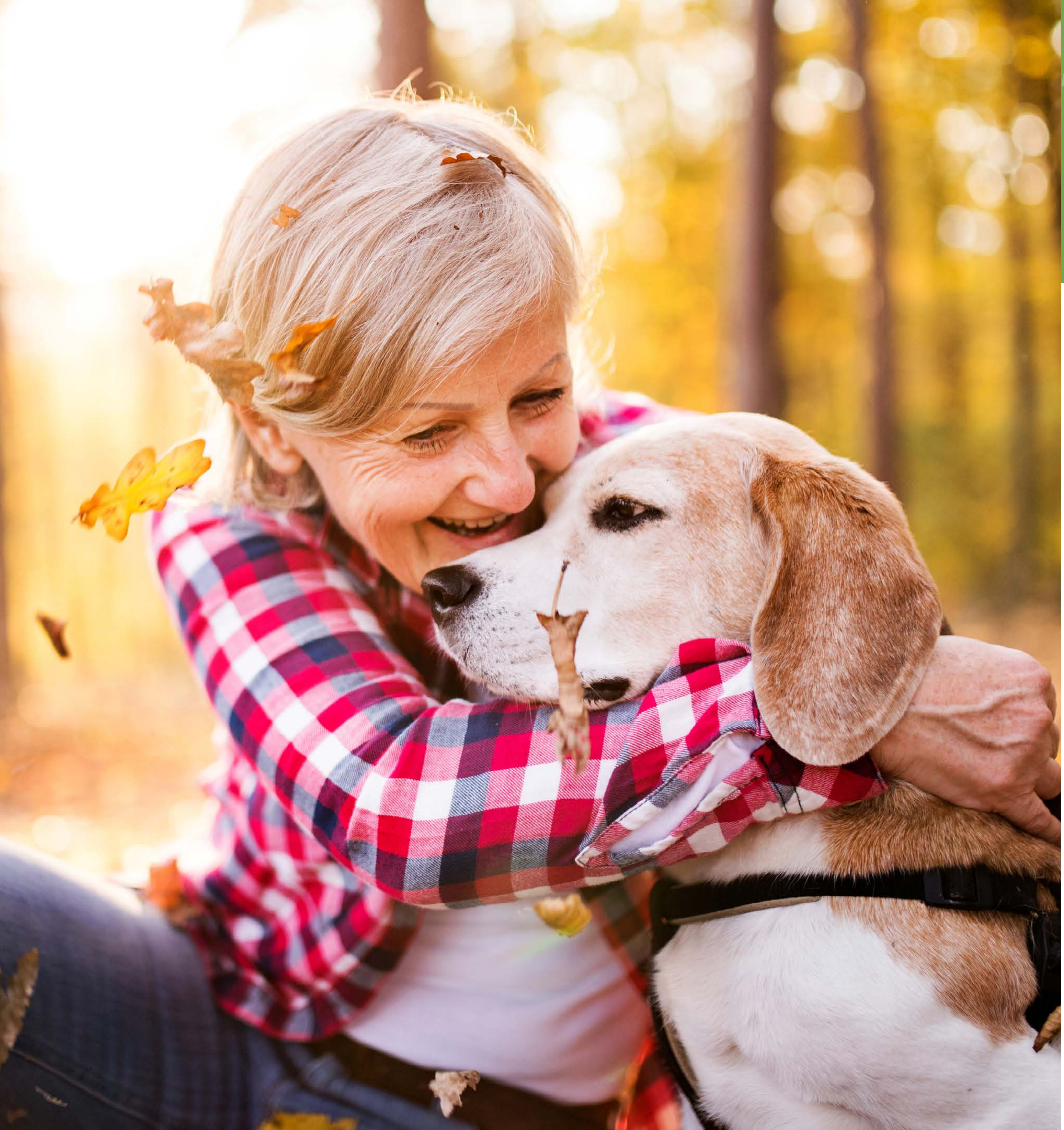
Within the first nine months:

- **Start the probate process.** First, let's answer a common question: what is probate? It's the court-supervised process of making sure a decedent's will is valid and then distributing all the assets from the decedent's probate estate in accordance with the will or state law. The court also ensures that the decedent's debts are paid before heirs get access to anything.

  Not everything that's part of your spouse's estate has to go through probate. Some of their assets might be passed to heirs outside of the probate process using trusts and other estate planning strategies. Jointly held assets also pass directly to you as the surviving joint owner. Any solely-owned assets that are in your spouse's will are part of the probate estate. This might include things like vehicles, other real property and money that your spouse kept in their separate name. If the asset does not have a designated beneficiary (outside of the will), it will be an asset subject to the probate process.

  Different states have different rules about probate, including timeline requirements. In Massachusetts, you have three years after a decedent's death to probate their estate. The complete process commonly takes 12 months or longer. Any complications (like family members contesting the will) can drag out probate for many additional months. Specific guidance should come from attorneys, but finding your late spouse's estate planning documents is a good starting point.

- **File estate tax returns, make proper elections and disclaim assets.** Estate tax payments and returns (or extensions) must be filed within nine months. On those filings you will want to ensure that you make the appropriate elections and if you decide to disclaim the assets (send them back to the estate to be distributed to others according to the governing document), this must also be done within nine months. No distributions or money movements should be made from any of the potentially disclaimed assets (including retirement plans) or you will not be able to disclaim. It is important to discuss this with your advisors.
- **Make appointments with your tax, retirement, investment, insurance and estate planners.** You'll need to update most if not all of your existing plans now, or create certain plans for the first time. Start getting these meetings scheduled within the first few months of your spouse's death if possible.
- **File your late spouse's final tax return.** Their final return is due by the normal April deadline in the calendar year after their death.
- **Take further steps to secure your spouse's identity and "close down" their online life.** There are a lot of little administrative kinds of tasks that you'll want to deal with over the course of the first year, like shutting down your spouse's social media accounts and email accounts and getting their name removed from mailing lists. You may also request copies of their credit reports at the end of the first year to make sure there's n o suspicious activity.



2 Budgeting for the Newly Single

Reworking your budget (or building a new budget from scratch) is almost always a must-do after the death of a spouse. Your financial advisors can help you put together a detailed budget—but while thinking about budgeting for the next phase of life, questions to answer include:

What are your assets and liabilities?

Taking stock of your complete financial picture is a good first step for rethinking your financial plans after the death of your spouse. This starts with getting clear about exactly how much money you have in all of your accounts, how much your other assets are worth, and what debts you owe. That might sound daunting, especially if your late spouse primarily handled finances, but your advisors can help you compile a comprehensive list of assets and liabilities. Creating a current net worth statement gives you a good overview of where you stand so you can make the smartest decisions with your money going forward.

How is your income going to change?

The death of a spouse often means a loss of some income, which has to be factored into your budget. If they were working a job, obviously you'll have to account for the loss of that salary. If you were both receiving full Social Security benefits, you'll lose some of that money each month. How Social Security benefits work after one spouse dies varies greatly depending on both of your ages and whether you both worked to qualify for your own benefits or whether one of you earned spousal benefits. Your advisors are the best source of specific guidance about Social Security benefits.

Your income might change in other ways too. For example, some military spouses will qualify for a Survivors Pension that brings in some additional money each month. If you're now a single working parent to young kids, you might need to cut back your hours to spend more time at home. Or you might want to get rid of a rental property that you and your spouse used for additional income because it's too much work to maintain on your own.

How are your expenses going to change?

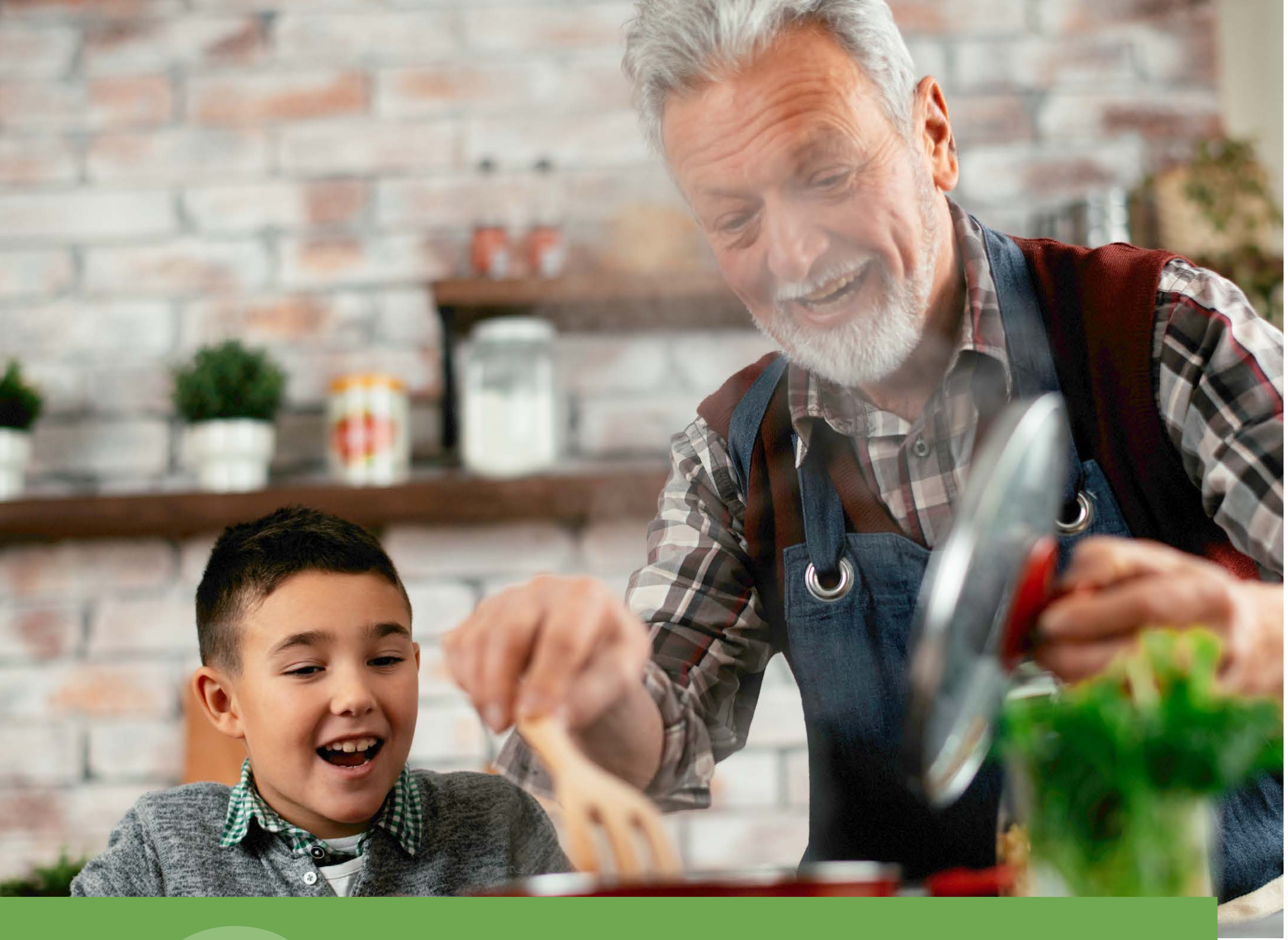
Your grocery bills and insurance premiums might go down but your home expenses will probably stay about the same unless you downsize. Also think about whether there are tasks your spouse did that you'll have to pay someone else to do. These could be minor jobs like yard work or grocery shopping, or bigger expenses like hiring in-home help if you're disabled and your spouse had been caring for you. If you have minor kids or other dependents, costs may go up if you need babysitters or drivers to get kids to and from sports, etc.

How would you pay for long-term care expenses?

Your budget and financial plans should account for the possibility that you'll need long-term care someday. That's important for everyone but especially important for a widow/er. You can't lean on your spouse for help with tasks that might help you continue living independently at home as you get older, like administering medication or preparing meals. Your financial advisors can help you assess whether it makes sense to buy long-term care insurance, put money in a special trust earmarked for future expenses or count on Medicaid (MassHealth) to cover those costs.

What's your philosophy about saving vs. spending vs. investing?

Now that you're the sole manager of your money, you get to make decisions a little selfishly. How do you want to use your money? Maybe your spouse liked making risky investments but you want to shift your portfolio to be more stable. Maybe you want to use your money for experiences while you can, so you're going to pull $20,000 out of savings every year to take a big international trip. Maybe your single income will no longer cover your expenses as well (if the surviving spouse is the lower wage earner) and you need to tighten your belt or plan to work longer. Or maybe you don't want to change anything from the way you and your spouse managed money together. There are no "wrong" answers, as long as you're clear about your personal financial priorities.



3 Estate Planning for the Newly Single

While painful, settling your late spouse's estate can make it very clear why estate planning is so urgent. Making sure your own estate plans are in order is a gift you can give your children or other loved ones to help spare them some future pain.

It's also important to create records of all your wishes around end-of-life care and your estate because your spouse won't be there to advocate for you if something happens and you can't speak for yourself. Getting comprehensive estate plans in place is just one way you can proactively protect yourself for an unpredictable future.

Estate Planning Tasks for the Newly Single Include:

- **Updating/creating your own estate planning documents.** Your basic estate planning documents are the first order of business for estate planning after the death of a spouse. You might need to create these documents for the first time, especially if you're a young widow/er and hadn't gotten around to estate planning yet. If you do have estate planning documents including a will, health care proxy and durable power of attorney, you'll almost certainly need to update them now.

  Estate planning documents become even more important after your spouse's death. If you're like most people, you named your spouse as the key decision maker in these documents. But what if you become incapacitated tomorrow and your doctors need someone to make a decision about whether or not to perform a risky surgery? Would anyone be authorized to access your financial accounts and make sure your bills are paid? Hopefully you already have at least one alternate named in each of these documents, but you never know if your chosen alternate will be available or prepared to act on your behalf when the time comes. Now you need new backups for your backups so there are at least two people named in each of your estate planning documents. Choose adults who live locally and who are willing to accept the responsibility of implementing your wishes, even if they don't agree with them.

- **Updating/creating a personal directive.** Watching your late spouse's experience might have altered your perspective around end-of-life decisions. Even if you already have a personal directive (aka living will) that lays out all your wishes, you might wish to revise it now to add more detail about things like religious rites you would or wouldn't want performed before death.
- **Revisiting inheritance/beneficiary designations.** Depending on how you and your spouse had structured your estate plans, you might not need to make significant changes to your will and/or trusts. For example, everything might already be set up so that all of your and your spouse's shared assets pass to your kids after you both die. But circumstances could have changed since you made those plans and now you might want to alter the arrangements for who gets what. You're now the sole owner of your and your spouse's assets and it's your decision how to use them.

  Ensuring that you've updated the beneficiaries on IRAs, life insurance policies and other accounts that use beneficiaries is also part of updating your estate plans. Make sure you have both primary and secondary beneficiaries named on any of these accounts. Failing to update these designations could mean that your heirs have to get the court involved to determine who inherits what.
- **Planning for future estate taxes.** Speaking of minimizing estate taxes: it's a key focus of estate planning as a widow/er. You're able to avoid estate taxes when inheriting your spouse's assets but your estate may be taxed after your death, leaving less money for your heirs to share. Your estate planning advisors and tax advisors can help you strategize about the most tax-advantaged ways to pass money and property to your loved ones and/or charitable organizations.

Estate Planning Prior to a Spouse's Death

If your spouse has a terminal diagnosis but retains the mental capacity to make their own decisions, jointly reviewing their estate plans now could make things a little easier for you later on. Together (and with the help of your advisors) you can make sure that your spouse's will is current, their important documents are present, there's a plan for distributing all the assets they currently own, and so on. Depending on how much bandwidth you have, you might also wish to tackle some of your own tasks now. Updating your own estate planning documents and reviewing your will doesn't have to wait until after your spouse's death.

4 Tax Planning for the Newly Single

A lot can change about your tax picture after your spouse dies. Your filing status and income will change. Estate tax obligations have to be met within nine months of your spouse's death. You might have to manage the tax implications of selling property or other assets that belonged to your late spouse. And if your partner was always the one in charge of handling taxes, you might be really overwhelmed by figuring out what to do next.

Your advisors should be able to help you identify all the tax-related tasks that need your attention, from short-term issues related to settling your spouse's estate to long-term tax planning for your own future.

Tax planning topics you'll want to talk to your advisors about include:

- **Filing your late spouse's final tax return.** Filing the final tax return for a deceased person may not be much more complicated than filing in a typical year. The IRS considers you to have been married for the entire tax year in which your spouse died and you're able to file a joint return for that tax year. You can note that the person is deceased on your tax return and aren't required to send the death certificate or any other proof to the IRS. You can't deduct funeral and burial expenses, but your tax planners can help you maximize deductions for things like medical expenses and nursing-home costs that your spouse might have incurred during the last year of their life.

- **Filing income taxes in future years.** Your tax planners can also help you anticipate how your taxes will change down the road now that you're a widow/er. You may be eligible to file with qualifying widow/er status for the first two years after your final joint tax return if you have dependent children. Otherwise, you'll file as single or head of household. (If you plan or hope to remarry in the future, you might also want to start a discussion about how remarriage could affect your tax picture.)
- **Tax implications of inheriting assets from your spouse.** Although you don't have to pay estate taxes or inheritance taxes on anything you inherit from your late spouse, you should be aware of tax issues that arise from taking ownership of their money or property. Planning for estate taxes is key—more on that next—but you might also need to consider the tax implications of selling property. You might want to sell an investment property that you can no longer take care of alone, or sell your home and downsize to a smaller place. If you do want to sell your home, you may be able to take the full $500,000 capital gains exclusion that's granted to married couples if you make the sale within two years of your spouse's death. If you wait longer than two years and you're unmarried when you do sell the home, you'll only get a $250,000 exclusion. The exclusion is only available for your primary residence, so consult your tax planner for guidance if you're thinking about selling any investment properties that are now yours.
- **Estate tax planning.** Will your own estate owe estate taxes after your death? Taking sole ownership of any assets that used to belong to your late spouse adds to the value of your estate, which means your estate might now have an even higher tax burden than it did before your spouse's death. In Massachusetts, where any estate valued at more than $1 million owes estate taxes, a lot of surviving spouses have taxable estates by the time they die. Many more estates could also owe federal estate taxes starting in 2026, assuming the TCJA's estate tax provisions are allowed to sunset and the federal tax threshold drops as expected. Using estate tax planning strategies, including irrevocable trusts and charitable giving, can help you move assets out of your legal control. This moves those assets out of your estate, keeping them from being taxed at 40 percent after your death and preserving more money for your heirs.

Although you don't have to pay estate taxes or inheritance taxes on anything you inherit from your late spouse, you should be aware of tax issues that arise from taking ownership of their money or property.

5 Retirement Planning for the Newly Single

Approaching retirement planning for the first time after being widowed is an opportunity to think deeply about the kind of life that you want for yourself. It might look different from the retirement you had planned to enjoy with your spouse, but it can still be rich and rewarding.

What kinds of changes you make to your retirement plans after the death of a spouse depends on how much planning you've already done and how close you are to retirement. If you're in your 30s and haven't thought much about retirement planning beyond contributing to your IRA, you're probably not going to have as much to discuss with your retirement planners right now as someone who's already retired.

No matter where you are in life, planning for living in retirement without your spouse should be a holistic process that's just as much about quality of life as is it about money.

Quality of Life Planning for Retirement

Have you heard of the MIT Age Lab's "three questions for a quality retirement"? Thinking about your answers to these questions is a good jumping-off point for assessing how prepared you are for a comfortable and fulfilling retirement.

1. ***Who will change my light bulbs?*** In other words, how will you ensure that your home is maintained and safe without having to do that maintenance yourself?

2. ***How will I get an ice cream cone?*** How will you maintain enough independence that you can do things like go out and get ice cream whenever you want, even if you're not able to drive yourself?
3. ***Who will I have lunch with?*** Where will your sense of community come from? How will you ensure you don't become isolated from other people?

Beyond those three questions, think more broadly about the kind of life experiences you want to have in retirement. Is there somewhere you've always dreamed of living or visiting? Are there things on your bucket list that you want to try? Would you want to move in with your kids/grandkids, if that was an option? Would you want to live in a retirement community filled with other people your age? Or would you want to stay in your home for as long as possible?

Thinking through those quality-of-life questions should help you get clear about what your ideal retirement looks like so you can then make the financial moves that support that lifestyle.

Financial Planning for Retirement

There are a lot of financial planning questions to discuss with your retirement advisors after losing a spouse. These are just some of the topics you'll likely want to cover.

- ***What's my new "number" for retirement savings?*** In other words, how much money are you going to need in order to afford the kind of retirement you want for yourself? How much are you going to need for basic monthly expenses now and 10 years from now? How much will you be able to afford for "extras" that improve your quality of life, like travel or gourmet meals?
- ***When should I take Social Security, if I'm not already?*** Your Social Security strategy could change after your spouse's death. Let's say you and your spouse have both worked enough to earn full Social Security benefits but neither of you have taken your benefits yet. Maybe the plan was for one of you to take Social Security benefits at age 63 and the other to wait until age 70, and that plan needs to be reworked now. That's just one example, but there are a lot of ways that your Social Security benefits might change after your spouse's death, depending on both of your ages and work histories.
- ***What should I know about taking Required Minimum Distributions (RMDs) from my spouse's accounts?*** You may have some decisions to make about taking distributions from any IRAs or other retirement accounts you've inherited from your spouse. For example, do you want to roll their account into one you already own and become the owner of that account, or keep it separate and take RMDs as a beneficiary? Do you want to take more than the required minimum? If you don't need the money, would it make sense to disclaim the inherited account so it passes to the next beneficiary?
- ***What's my plan for paying for my medical care and possible long-term care?*** Medical costs and long-term care are topics that affect your estate planning, tax planning and retirement planning decisions. Whether you're counting on having the means to pay out-of-pocket for your future care, or want to protect yourself with insurance or through some other means, just make sure you've talked through these plans with all your advisors.

More Considerations for the Recently Widowed

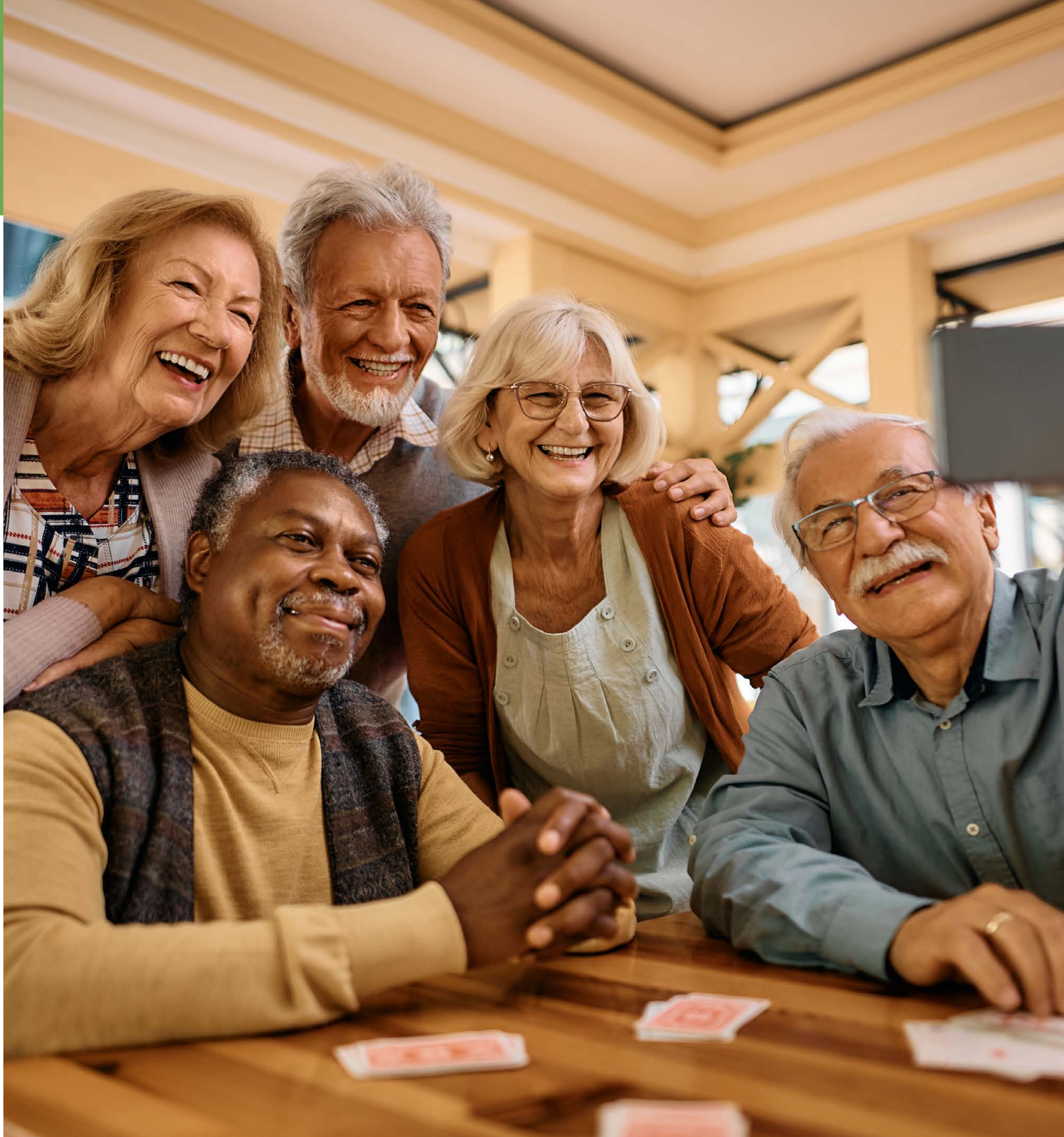
A lot of complicated and unforeseen questions arise in the aftermath of a spouse's death. You might find yourself dealing with financial and emotional quandaries that you're not sure how to handle, especially without your partner's help. And because every widow/er's experience is unique, you can't necessarily get the kind of advice you need by talking to friends who have also been widowed.

Some of the questions that are bound to come up for you can only be resolved by talking to advisors who have an understanding of your full financial picture. You might call them with dozens of specific questions in the years after your spouse's death, including some of these common ones.

How should I manage a lump sum life insurance payout?

There's no one "right" way to use your spouse's life insurance policy payout. For some people, paying off debt and/or adding to your emergency savings makes the most sense. Others might have enough financial security that they can afford to invest or even make charitable gifts in their late spouse's honor. Parents of minor children might put some or all of the money into trusts or education savings accounts.

If you're at all unsure about how to use this money—or you haven't taken the payout yet and you're debating whether to take the lump sum or installments—your financial advisors can help.



Estate planning documents and financial plans can always be updated if you remarry, but you may want to put protections in place to keep the property and other assets you've inherited from your late spouse from becoming your new spouse's property in the event of a divorce.

How does having a blended family affect things?

Complicated family dynamics can make this time even more challenging. If your late spouse had children from a previous relationship and/or a former spouse, there could be conflict about who's entitled to inherit what. Those disputes may end up having to be settled in probate court. If your spouse didn't have a valid will or left some assets out of their will, state intestacy laws will decide who gets them. (Massachusetts' intestate succession laws say that a surviving spouse is entitled to a portion of the decedent's estate and any assets above a certain threshold must be split with any children the decedent had from other relationships.)

Being part of a blended family might also create some new estate planning tasks after your spouse's death. For example, let's say your spouse died suddenly without leaving a will so you inherited everything, including some of their beloved family heirlooms. You know your spouse would want for those heirlooms to pass to their kids from their first marriage after your death, rather than going to your own biological heirs. You could use your own estate plans to make sure that everything is willed to the right people upon your death.

What if my late spouse owned a business?

If your spouse was the sole proprietor and didn't have any succession plans in place when they died, the business's debts and assets become part of their estate—and therefore, fall under your control. You may elect to continue the business yourself, sell it, pass it to other family members or dissolve it entirely. If your spouse owned a business with others, their partnership agreement might call for you to inherit their share of the business and give their partners the option to either buy you out or close the business altogether. Consult your spouse's business attorney for help understanding your options.

What if I eventually decide to remarry?

Remarriage can have legal consequences you might not anticipate, and pre-nuptial agreements can only do so much to protect you. It's important to consult your advisors first so you're clear about how getting remarried might affect your Social Security benefits, retirement accounts and other financial plans. Estate planning documents and financial plans can always be updated if you remarry, but you may want to put protections in place to keep the property and other assets you've inherited from your late spouse from becoming your new spouse's property in the event of a divorce. This can be a very complicated area to navigate when trying to maintain your spousal benefits. Again, it's very important to discuss this with your advisors before you tie the knot!

What if I'm new to managing my own money/insurance/retirement planning? Maybe your spouse handled everything financial and you don't even know what you don't know. That's okay! A lot of widow/ers find themselves in the same position. Finding advisors you're comfortable with is key. You should feel completely at ease asking any questions you have and asking for things to be explained again until you feel empowered to make the best decisions for your own financial future.

Conclusion

Rewriting your plans after the death of your spouse is never going to be easy. At the same time, it doesn't have to be as painful as you might fear. Working with advisors who bring experience and empathy to every interaction should help you feel completely comfortable saying or asking anything that's on your mind, no matter how overwhelmed or emotional you might be.

Sachetta's advisors are always ready to meet you where you are. Whether you're a retiree who's always been in control of your family's finances, a young widow/er who has never managed your own money, or anywhere in between—we're here to help you navigate your new reality and adjust to whatever comes next for you. Contact us today.

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