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A financial checklist to help widows and widowers



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This article will ...



- Explain why [moments of stress](#) are no time for widows or widowers to make major life decisions, such as selling a house or liquidating investments.
- Highlight the [IRS allowances](#) that may help ease possible tax burdens in the years immediately following a spouse's death.
- Outline the options for collecting [Social Security benefits](#) after a spouse passes.

Widows and widowers, beyond emotional loss, contend with a host of financial challenges in the aftermath of losing a spouse. These include paying for medical bills left behind, covering funeral costs, and contacting insurance companies. And an uncomfortable truth is that many also face a drastically different financial future.

Their income tax bracket may change. They may assume the role of bill payer and investment account manager for the first time. In the case of retirees, the surviving spouse also loses a second Social Security check, making it potentially more difficult to make ends meet. Some 6 million widows and widowers receive Social Security survivor’s benefits, according to the AARP.¹

“Widows and widowers have to understand that when their partner dies, typically, their income goes down with the loss of one Social Security benefit and a possible reduction in pension benefits,” said John Iammarino, president and founder of Securus Financial in San Diego, California, in an interview. “And while their income goes down, their taxes may go up.”

By educating themselves about financial help for widows, their options, and working closely with a trusted financial professional, however, widows and widowers can reclaim control over their assets, bringing peace of mind at a difficult time.

Financial advice for widows: Sit tight

As for major financial decisions, Iammarino suggests the newly bereaved sit tight. After they have taken care of immediate responsibilities, such as paying their monthly bills and insurance premiums to ensure coverage remains in force, they should take a moment to breathe.

Moments of stress are no time to make major life decisions, such as selling your house, quitting your job (if you’re still working), liquidating investments, or making irreversible decisions with your retirement accounts, pension plans, or Social Security bene fits.

That includes purchasing new financial products or reinvesting life insurance death benefits into a vehicle you may not understand.

Single seniors, in fact, are particularly vulnerable to costly investment mistakes and predatory lenders.

“You should absolutely consult a financial professional before making any large-scale liquidations,” said Iammarino. “The last thing you want to do is make a poor investment decision and/or trigger a large taxable event.”

Widows and widowers will need to set up meetings with their attorney, tax advisor, and/or financial professional to get a clear understanding of how the loss of their spouse may impact their financial plan. For example, he or she may need to downsize to more affordable housing, return to work, or adjust his or her retirement portfolio withdrawal rate to minimize the risk of outliving assets. (**Discover more:** [The ideal withdrawal rate](#))

At the same time, widows and widowers should take the time to educate themselves about their investment options.

“Every financial vehicle has pros and cons,” said Iammarino, adding that it is imperative that all investors understand the purpose of any financial product they buy. Is it designed to generate income or growth, or to provide diversification? Are the underlying assets conservative or aggressive? What is the cost of your investment and is your financial professional getting a management fee or commission? Is it liquid?

“These are all questions your financial professional should [address] prior to you selecting your financial vehicles,” he said. “Things have radically changed, and we can plan for that, but your risk tolerance may be different than your spouse’s was. You need to come up with your own strategy and build a new foundation, so you understand your new overall plan.” (**Discover more:** [Understanding your risk profile](#))

Financial help for widows: Tax changes

Normally, when you experience a change in marital status, your tax-filing status changes, too. That can result in a higher tax rate, the loss of certain tax breaks, and a smaller standard deduction. Widows and widowers may also see a change in their provisional income equation, which determines the tax rate for their Social Security benefit.

“We’ve looked at multiple case studies where you’re making less income as a widow or widower, but paying more in taxes,” said Iammarino.

That said, the Internal Revenue Service makes certain allowances for widows and widowers to help ease their tax burden in the years immediately following their spouse’s death.

For example, they may be eligible to use the “married filing jointly” status in the year their spouse passed away if they previously qualified for that status and if they did not remarry.²

For the following two years, they may then be eligible to use “qualifying widow(er)” as their filing status, which entitles the surviving spouse to use joint return tax rates and the highest standard deduction amount. It does not enable the surviving spouse to file a joint return.

A tax professional can offer guidance on what moves may be most advantageous.

For example, a younger widow may not want to roll her deceased spouse’s IRA over into her own account because she would not then be able to access those funds without penalty until she turns age 59 ½.

On the other hand, if she is over age 59 ½ and wishes to maximize the tax-deferred growth potential of her husband’s IRA, she may instead wish to roll the IRA in her own name, which would enable her to delay taking required minimum distributions until she reaches age 73.

A tax professional can help a surviving spouse determine whether to keep their late husband’s or wife’s IRA in their name or roll it over to their own.

Social Security Survivors Benefit

Social Security benefits come to a halt when we die. That can amount to a 50 percent drop in monthly income for a surviving spouse, even as their fixed expenses — like rent, mortgage, utilities, and property taxes — remain largely unchanged.

(If you haven’t yet notified the Social Security Administration that your spouse passed away and are still collecting his or her checks, do not cash them. The government will eventually ask for that money back.)

Widows and widowers who are eligible, of course, would still be able to collect a Social Security benefit beginning at age 60 based on either their own earnings record or a survivors benefit based on a percentage of their deceased spouse’s earnings record — although claiming benefits before their full retirement age permanently reduces the size of their monthly checks.

They can collect the full amount to which they are entitled by waiting until their full retirement age, which ranges from age 66 to 67 depending on year of birth.

And they can permanently increase the size of their monthly checks by delaying Social Security benefits further still. For each month they delay claiming benefits beyond full retirement age, they receive a credit that increases the size of their future checks until they reach age 70, when the benefit of delaying any longer disappears. (**Discover more:** [Social Security filing strategies for the widowed](#))

“Before a surviving spouse selects a Social Security claiming strategy, however, they would be wise to consult an expert who can help them maximize their benefit amount,” said David Freitag, a MassMutual financial planning consultant.

For example, widows and widowers who collect a survivors benefit, but also qualify for a benefit of their own, may potentially collect a survivors benefit in the early years of retirement and leave their own Social Security benefit to accrue delayed retirement credits. They could then switch to their own (higher) retirement benefit as late as age 70 — a good way to give themselves a raise in retirement. (**Related:** [The difference between spousal and survivor Social Security benefits](#)).

Those with a disability that started before or within seven years of the worker’s death may begin collecting benefits as early as age 50. They may also receive survivors benefits at any age if they care for a minor child, under age 16, of the deceased worker, or if that child is disabled and receiving Social Security benefits based on the worker’s record.

Update your assets and estate plan

The loss of a spouse also necessitates a thorough review of the surviving spouse’s assets and estate planning documents.

An attorney can help update your will, living will, powers of attorney, HIPAA (Health Insurance Portability and Accountability Act) form, and beneficiary forms for your life insurance policy and tax-favored retirement accounts (IRA and 401(k)) as needed.

Russ Thornton, a financial professional and founder of Wealthcare For Women in Atlanta, Georgia, suggested that widows and widowers may also need to update the title on their home and other assets.

“Contact your bank, financial institutions, and investment management firms to have all your jointly held bank, brokerage and investment accounts retitled,” he said on his blog. “In most states, joint accounts are considered to be “Rights of Survivorship,” but you should confirm this before making any changes.”

Similarly, he suggests surviving spouses refer to their checkbook, online banking profile, and/or loan statements to make a list of all their bills, expenses, loans, and other financial obligations, separating items by ownership. That should include a list of accounts that are solely in their name, solely in their spouse’s name, and those held jointly, giving them a road map for next steps. (**Related:** [What happens to debt after death?](#))

Then, contact all the financial institutions where they have joint accounts to have their deceased spouse’s name removed. And notify any businesses or service providers with accounts exclusively held in their late spouse’s name, letting them know that their account is now subject to probate and will be handled by the estate. To help facilitate, you can provide their attorney’s name and number for future reference.

Conclusion

The loss of a spouse is a uniquely painful experience, to say the least, and one that requires time to grieve and time to heal. As they come to terms with their suddenly single status, however, widows and widowers can help alleviate a significant source of stress by getting their financial tasks organized and taking steps to secure their future.

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This article was originally published in July 2019. It has been updated.

¹ AARP, “Social Security Resource Center: How do survivor benefits work?” July 13, 2021.

² Internal Revenue Service, “Publication 501, Dependents, Standard Deduction, and Filing Information,” 2022.

Need a financial professional? Let us know ...

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First Name*

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