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Planning and guidance

Navigating finances after loss: A comprehensive guide for widows

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Advisor Advocate Editorial Team

03/15/2024 — Key takeaways:

- A comprehensive understanding of entitlements and benefits such as property rights, elective share statutes, pension options, and Social Security survivor benefits can be critical for widows.



- **Support in dealing with grief, practical budgeting advice, effective cash flow management, and active investment strategies are key**

components of financial planning after the loss of a spouse.

The loss of a spouse is an earth-shattering event that leaves a wake of emotional and practical challenges for the survivor. For women especially, who have a greater life expectancy than men¹, navigating the financial implications of this kind of loss can be complex and overwhelming. According to a Census Bureau Survey, among those 75 years or older who had ever married, 58% of women and 28% of men had experienced the death of a spouse in their lifetime, making this stage of life particularly difficult for older adults.²

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As a financial professional, your role in these moments is pivotal, not just in clarifying the financial landscape but in helping to provide a firm foundation for the future. In this blog, we'll look at the many facets of financial preparedness for widows. It's not just about ensuring the transition is smooth; it's about championing a newfound financial independence.

Financial planning for widows

The first step in financial planning for a widow is to understand their immediate financial picture. This includes taking stock of all the financial accounts and assets that were in the partner's name. For larger estates, it may also involve an official

valuation and asset inventory. This process will not only help to establish financial resources but also ensure that no assets are overlooked or mishandled.

Immediate actions

These actions can help lay the groundwork for the broader financial planning efforts. Practical next steps for a widow after loss can include:

- Making a comprehensive list of all financial accounts and investment portfolios
- Contacting insurance providers to understand policies and claims processes
- Gathering all financial paperwork, such as wills, trusts, and tax documents

Long-term financial goals and estate planning

Widows shouldn't feel the need to rush into making significant financial decisions in the immediate aftermath of their loss, but it's essential to start thinking about long-term financial goals and plans. This may involve updating or creating an estate plan, which encompasses:

- Making or updating a will
- Understanding any debts or joint obligations
- Establishing or updating a trust

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Investment and portfolio review

Widows may want to review any existing investments and portfolios. The goal of a review is to ensure that the investment strategy aligns with their financial needs, risk tolerance, and long-term goals. This might mean adjusting the portfolio to reflect changes in income or retirement plans and reevaluating the asset allocation to provide for a sustainable, long-term return.

What is a surviving spouse entitled to?

Property rights and intestate laws

In the United States, property rights of a surviving spouse are governed by individual state intestate laws if there is no will. Understanding what rights each state's law gives to surviving spouses is pivotal for securing their long-term financial stability.

Elective share statutes

Some states have elective share statutes, which provide the surviving spouse with a minimum amount of the deceased spouse's property, regardless of what the will says. This is designed to protect the surviving spouse from being disinherited.

Employer protections and benefits

Certain benefits and protections extend to surviving spouses, such as continuing health insurance coverage under COBRA or benefits under an employer's retirement or pension plan.

Pension options

The surviving spouse is often entitled to a deceased spouse's pension benefits, which can be a significant financial resource. Understanding the pension plan and the available payout options is key.

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Health insurance considerations

Healthcare can be one of the most significant expenses for an individual, particularly as they age. Securing health insurance, whether through COBRA, a spouse's personal policy, or Medicare, is crucial.

Estate and income tax considerations

Understanding the estate and income tax implications of the spouse's death is another important aspect of financial planning for widows. Be aware of the federal and state estate tax exemption limits, as well as the tax rates, which can change

annually. The surviving spouse can often inherit unlimited amounts from the deceased spouse without being subject to gift or estate taxes, but this must still be managed within tax laws to avoid unnecessary taxation.

What are widow's tax exemptions?

There may be state and federal tax exemptions available to your client, depending on where they live. The widow's exemption is a tax deduction available to a recently widowed spouse, regardless of gender, that varies from state to state but commonly reduces property tax. According to the IRS, widows may qualify for a deduction, and continue to file jointly for up to two years after their spouse's passing.³ It's also important to note that same-sex marriages are recognized for federal tax purposes, so this applies to LGBTQ widows as well.⁴

What are Social Security survivor benefits?

Social Security survivor benefits are monthly payments made to certain qualifying family members that can include widows, children, and dependent parents, based on the deceased worker's earnings. To be eligible for Social Security survivor benefits, the widow must be at least 60 years old, or 50 years old and disabled.⁵ Benefits can be claimed as early as age 60 but are reduced from the full amount that would be paid at full retirement age. The amount of Social Security survivor benefits is based on the earnings of the deceased worker. It's important to also consider how a surviving spouse's own work and earnings history may impact the benefits they receive.

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Practical budgeting and cash flow management

Developing a comprehensive budget that reflects the widow's new financial reality to help [build financial security \(/financial-professionals/blog/planning-guidance/articles/tips-to-help-clients-build-financial-security\)](/financial-professionals/blog/planning-guidance/articles/tips-to-help-clients-build-financial-security) will be an important part of the process. This budget should include all sources of income, regular expenses, and discretionary spending. Understanding and managing cash flow is necessary to ensure the widow can cover expenses and maintain her standard of living. Cash flow management also encompasses considering the best strategies for money distribution from various financial vehicles to align with the budget and

income needs. Maintaining an adequate emergency fund for unexpected expenses is particularly important for a widow who may rely on one income source. Additionally, having a contingency plan in place for managing financial setbacks, such as job loss or medical emergencies, can be beneficial.

The intersection of grief and finances

Grief can have a profound impact on an individual's ability to manage their finances, and frankly, may be the last thing on their mind. Being empathetic to the emotional needs of a widow is important when working with them during such a difficult time. Encouraging them to seek out emotional and psychological support, whether through counseling, support groups, or trusted friends and family, can provide the necessary foundation to approach financial planning with a clear mind and a sense of empowerment. Collaborating with legal and tax professionals who have experience in dealing with widowhood can provide the widow with a well-rounded support system.

A roadmap for financial recovery

Losing a spouse is an indescribable loss, and the road to financial recovery is often as daunting as it is necessary. By providing a structured approach to financial planning and ensuring the widow is aware of her benefits and resources, financial advisors play a crucial role in supporting the transition to a secure and independent financial future. Remember, it's not just about preserving wealth; it's about empowering widows to take control of their financial legacy and find a path to resilience. Your guidance can make all the difference for those in their most vulnerable moments.

[For more on financial planning considerations that are common among single women investors, you can read our blog here. \(/financial-professionals/blog/research-learning/articles/single-women-investors-take-control-of-their-retirement-preparedness\)](#)

Author



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