Life After a Loss: 6 Smart Steps for Coping With Widowhood

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Article Highlights

- Use your first year to re-establish your bearings; postpone decisions and actions that don't require immediate attention.
- Bring a trusted friend or relative to all meetings regarding your financial affairs.
- Revise your portfolio based on your personal goals, your personal tolerance for risk and your withdrawal needs.

According to the U.S. Census Bureau, hundreds of thousands of women are widowed in the United States each year.

For a person who has recently lost a spouse and is confronting many changes in daily living, financial support and advice can be helpful. Women as well as men are unmoored by the personal changes they are going through. Yet a widower may often have been the primary earner and financial decision-maker and is accustomed to making financial choices.

A widow, however, may not have taken an active role in the family finances. Where can you find someone to help you? What should you look for in a professional relationship? What can you put off for later? How do you make wise decisions? Because the financial planning aspect at this stage involves both a person's emotional and financial state, many widows are pushed by well-meaning relatives and even advisers to make unwise decisions, or to make changes before they are ready to do so.

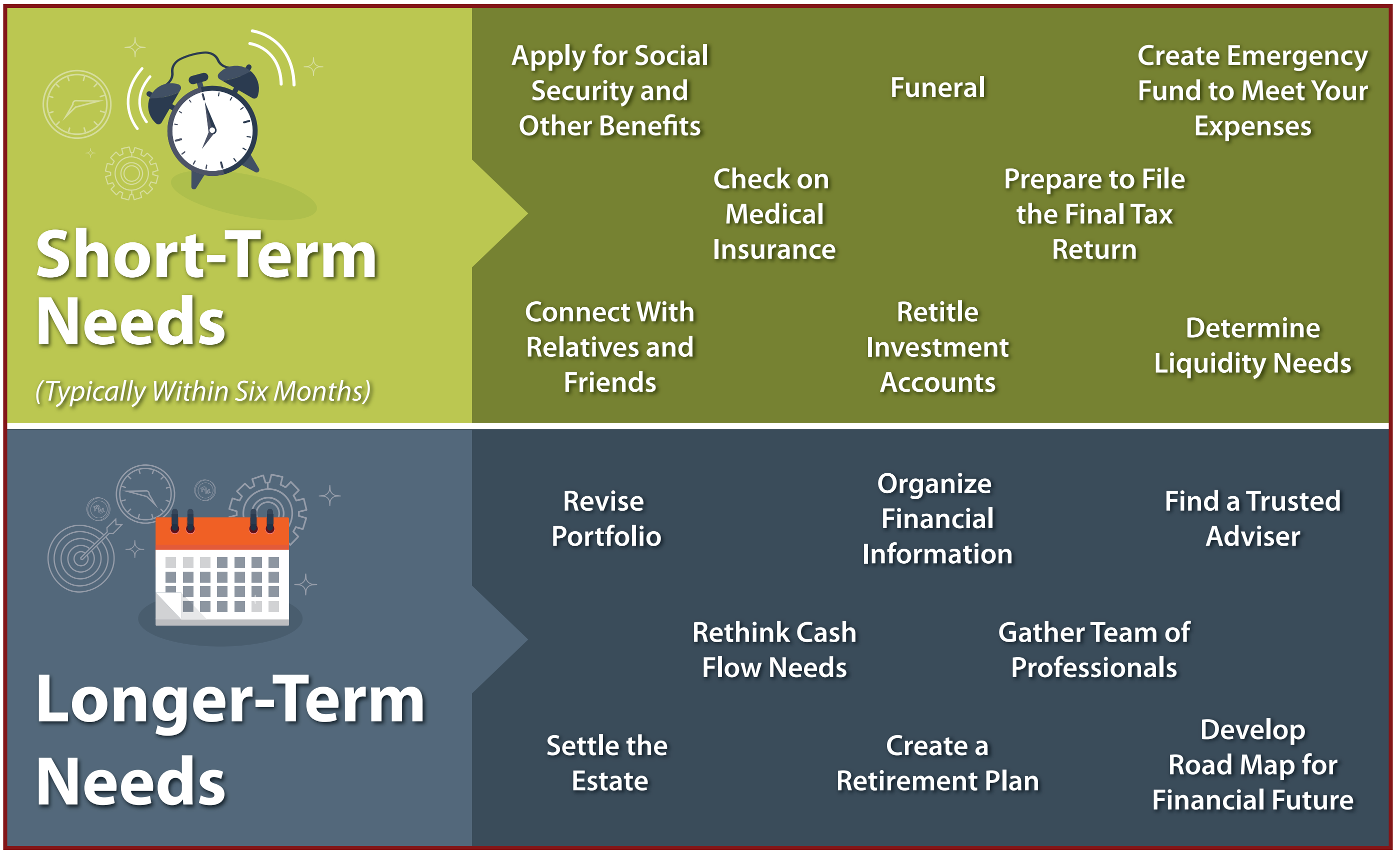
Widows tell me that their bereavement groups do not cover how they can live in the future. Finances are rarely discussed. But there are smart steps wise widows can take when the time is right for them. Figure 1 provides an overview of the process.

Smart Step 1: Be Aware of Your Emotions

You are entitled to new feelings; be prepared for them to change from time to time, sometimes suddenly and for seemingly no reason. Recent widows have told me that they feel some or all of the following emotions in no particular order:

- **Shock:** A widow may be stunned by the turn of events, even after a lengthy illness.
- **Disorientation:** Some widows may experience confusion and have trouble focusing. I have heard women refer to this as "widow-brain."
- **Denial:** The loss might seem like a bad dream. The widow may withdraw from daily activities or experience a flurry of activity and return to work and hobbies shortly after the death.
- **Anxiety:** Extreme worry about the widow's future may lead to paralysis of thought or action.
- **Anger:** A recent widow may be angry at the husband who left her behind, at her circumstances, and at others' more "normal" lives.
- **Guilt:** A widow may wish she had done things differently, or been there for her spouse more frequently, even if she was caring and concerned at the time of illness.
- **Depression:** Lingering sadness or a melancholy that comes and goes even years later.
- **Vulnerability:** Others may seem to be out to fool the surviving spouse—and that may have a measure of truth in it. It is wise to proceed into new areas of interest with caution.
- **Loneliness**: Despair at returning to an empty house, especially at night. This emotion may prompt some widows to latch onto other people just because they are

Figure 1. Decision Process for Widows



available.

- **Overconfidence:** The feeling the widow can do anything. This can lead to short-term risk-taking, but it may not last. Consider bringing a close friend or relative along when you face a decision. Take a deep breath and think carefully before taking action.
- **Acceptance:** This signals the time a widow is ready to move on. Actions may be as simple as deciding to dine with friends or as complex as moving to a new location. Be careful about jumping into a new situation before you are ready. Acceptance means you have arrived at a new stage in your life.

These feelings, and others you might have, are not necessarily sequential. They may come and go at different times, even over a period of years.

Each widow moves at her own pace, and may not even be aware of her emotional changes. For example, you may not know what is causing you to feel a particular way or why your mood changes so rapidly. Your relatives may be bewildered by your unpredictable behavior.

While it is important for you to be aware of your feelings, you may wish to postpone major decision-making until you are on a more even keel. Any reasonable decision that seems good to you now should still seem good weeks or even months later. At the very least, involve long-standing friends or trusted relatives in your decision-making until you exhibit more consistent behavior.

Smart Step 2: Deal With Some Issues Relatively Quickly

Even though common wisdom dictates rules of no-action and no-new-decisions for a period of one year, it may not be practical. There are some things that need to be dealt with very soon after the death of a loved one. Bills have to be paid, children/grandchildren have to be taken care of and work may not wait for you to return.

Your goal for the first year should be to get your bearings and stabilize your situation. Think in terms of maintaining a worry-free living situation for yourself until you can truly think clearly about where you want to be in the future. Take care of what can't be delayed and push aside those things that can wait until you are clear-headed.

Remember that years later many widows say that although they thought they were alright, in reality their decision-making was "fuzzy." They may have little recollection of the choices they made or their reasoning. One widow I know told me, "I can't imagine why I took all those trips!"

Some widowed clients have told me that they are members of a club they never wanted to join. While some gain confidence from being in a group with people who share their situation, others find it gloomy to listen to the problems of people they had never met. These women are likely to avoid bereavement groups.

Take Care of Funeral Needs

Your needs might include arranging for a funeral, scattering ashes in a special place, or holding a memorial service. These decisions can be shared with family members, religious leaders and funeral directors.

Try not to add an extra burden by putting yourself in the position of gracious host. This is a good time to let others help out.

Assess Current Cash Flow Needs

You will need to review your cash flow needs—that is, look into what comes in and what goes out on a regular basis. Find out if there is insurance through work or personal policies. See if you will have enough to live on or whether you need to liquidate some assets to give you the cash to pay your bills.

These are decisions to share with your financial planner or accountant or someone else who knows your financial circumstances well. Try comparing what you and your husband lived on as a couple to your current and future needs. For example, one woman I met did not know how to drive, but thought about learning after the death of her spouse. When she considered the cost of the car payments, insurance, parking and gas and thought about how seldom she might use her car, she decided to sell it.

Ensure Adequate Liquidity

Be sure that you have enough money that is liquid and easily accessible to you for your living expenses to see you through this time, perhaps enough to live on for one year.

Consider keeping this emergency fund separate from your investment accounts, which may fluctuate, by putting it in a combination of certificates of deposit (CDs), Treasury bonds and money market funds. Do not expect grand returns. This money is set aside for living expenses and will likely be spent down as you have bills to pay.

You will know how much you need by determining how much you lived on last year and how much of your cost of living comes in regularly in the form of paychecks, pension, Social Security or other forms of regular payments to you.

Review Your Financial Statements and Records

You will need to understand your assets and liabilities. As a first step, locate all accounts, speak to the professionals who help with your financial matters and learn what everything is. This is a good time to put together a team of advisers—often a financial planner, an attorney, an accountant—and give them permission to share information about your finances. Many widows do not retain the family adviser because the widows were not part of the process before. But unless you are in a very uncomfortable situation, set up a meeting with your current adviser and bring a list of questions that concern you. Consider asking:

a. How will I arrive at a suitable asset allocation for my new circumstances?
b. How often will you make changes in my portfolio?
c. How will we communicate?
d. Will I work with you or someone else in your office?

You might have an easy transition to overseeing your assets and, all things being equal, it is often worthwhile to continue working with someone who has a history with your family finances. However, if your needs aren't met by year two, you should consider other choices.

If you are not sure how much you earn, spend or owe, you are not alone. Watch the mail for monthly or quarterly statements from accounts, then contact those companies for more information.

Handle Your Estate Needs

Find an attorney or contact your existing attorney to help you with settling an estate, probate and other matters that can't wait, as well as an accountant who will help you file the final tax return for your spouse. Perhaps your current attorney can recommend a professional who specializes in this area.

Finally, ask your attorney if your personal objectives will be met with current documents, or if you should update your own estate planning documents.

Apply for Benefits

See about collecting benefits, whether from Social Security, your husband's employer and any veteran's benefits for which you may be eligible.

For information from your husband's employer, contact the human resources department. You will probably be asked to supply a copy of your husband's death certificate to process retirement plan claims—such as from 401(k) or 403(b) plans and individual retirement accounts (IRAs).

Applying for Social Security benefits can be confusing. If you have been married for longer than nine months, you will be entitled to a survivor benefit, which you can take as early as age 60 [this would be at a reduced amount versus what you would receive if you waited to take the benefit at your full retirement age (FRA) for survivor benefits, which will be between the ages of 66 to 67]. The survivor benefit is based on your deceased spouse's primary insurance amount (PIA), whether he was already taking his Social Security benefit and, if so, whether he started taking his benefit before or after his full retirement age. Survivors may also qualify for a one-time payment of $255. To find out more from Social Security, you can go to www.ssa.gov or call 1-800-772-1213.

Depending on what your Social Security benefit will be based on your own earnings record, it could make sense to take your survivor benefit as early as age 60 and then switch to your own benefit at age 70 (or earlier, depending on your health status). In other cases, it could make sense to start taking your own benefit at age 62 and then switch to your survivor benefit at your full retirement age.

You also are entitled to a benefit at any age if you are taking care of a child (of you and your deceased spouse) who is receiving Social Security benefits and is under age 16 or disabled. The children of you and your deceased spouse can also get survivor benefits if they are under 18, under 19 and attending elementary or secondary school, or at any age if they were disabled before age 22 and remain disabled. Social Security survivor benefits are complicated; the above is just a general overview, so it can make sense to consult with a professional knowledgeable in this area to maximize your benefits.

Gather Your Documents

When you apply, the information the Social Security Administration needs includes:

- Proof of death, either from a funeral home or death certificate;
- Your Social Security number, and the deceased worker's Social Security number;
- Your birth certificate;
- Your marriage certificate, if you're a widow or widower;
- Your divorce papers, if you're applying as a divorced widow or widower;
- Dependent children's Social Security numbers, if available, and birth certificates;
- Deceased worker's W-2 forms or federal self-employment tax return for the most recent year; and
- The name of your bank and your account number so your benefits can be deposited directly into your account.

Note: Some documents (such as tax returns) can be submitted as copies, while others (such as birth certificates) must be originals.

Check on Your Health Insurance

If your medical insurance came through your husband's employer, call the human resources department at his firm to see what is available to you now. In most cases, you and your dependent children will be eligible for COBRA (Consolidated Omnibus Budget Reconciliation Act of 1985), which is continued temporary coverage under the deceased's group health plan at your cost for up to an additional 36 months.

To learn more, go to frequently asked questions about COBRA at the Department of Labor website at www.dol.gov/ebsa.

Smart Step 3: Retitle Accounts in Your Name

If accounts are in your husband's name, you will need certificates of death and letters testamentary [court document asserting authority of estate's executor] to provide to each institution. Typically you won't need more than a few, depending on the number of institutions you have done business with. For many families, 10 is too many. Don't stockpile them, because even though the date of death is fixed, some banks and investment custodians ask for recent letters testamentary when you meet with them.

For an IRA account, once the brokerage firm is notified of the death of your spouse, the account will be frozen. You will likely convert the account to a spousal IRA. To do that, you will need a death certificate, a letter testamentary from the courts and perhaps an affidavit of domicile. Your attorney can help with these.

For joint brokerage accounts, you will have to provide the same documentation as above in order to have your late husband's name removed from the account. If you are inheriting assets from your husband, you will want to speak to your estate attorney about how best to accomplish the changeover from his assets to yours.

Smart Step 4: Lean on Trusted Friends and Relatives

Most widows need outside help to deal with many financial issues—for instance, you most likely will need to seek the advice of an attorney to help deal with estate issues, and you may even need to consult with a financial adviser at some point. But determining who to rely on is difficult, especially when you may be more emotionally vulnerable.

This is a good time to bring a trusted friend or relative with you to meetings when seeking outside help with your financial matters. Don't be afraid to lean on friends and relatives for help. When a friend calls and asks if she can take you to dinner, say, "No thanks, but are you available to meet my investment adviser with me next week?" I am always impressed by a friend or relative who accompanies a bereaved person to lend another perspective.

Recently, a widow came to my office bringing along a friend of her late husband. The friend, who worked at a large bank, asked most of the investment questions, while the widow concentrated on her lifestyle choices. The widow handled things the right way: contributing her thoughts, listening and learning, and relying on a trusted friend to help with areas beyond her knowledge.

Smart Step 5: Deal With Other Concerns at Your Own Pace

Think about your new lifestyle when you are ready: How will it differ from the past? What will change about your life? What are you adding? What are you giving up? Will you stay in the same house? Will you live in the same city or move to be closer to friends or family members?

Work out your financial needs, either with expense and income sheets that you record monthly or with a software program such as Quicken. Most of all, become familiar with your cost of living and stay within your means. You are entitled to a decent quality of life, but try to be realistic.

One widow I know, Helen, was afraid to spend money on dinner out with friends. Although she wanted their company, she chose to be frugal and eat alone at home. When she told me about her reluctance, I calculated the cost, factored in frequency and we discussed whether or not it made sense in Helen's budget. We agreed Helen could spend $750 a year for dining and socializing on these meals with friends.

You don't have to duplicate the way you've been living. To develop a new lifestyle, keep the parts that suit you and be creative about how you'll live.

Knowing what it will cost you to live will enable you to take the next step in determining where the money will come from. Perhaps you are still working, or are receiving a pension, eligible for Social Security income, or will be getting insurance money. Maybe most of your money will come from investment accounts. Whatever the way, you'll want to match your expenses with your income to make sure you stay in "safe" territory.

Keep Up With Paperwork

You may need help with the paperwork since it can pile up—financial records can be overwhelming.

One widow I work with had an entire guest room filled floor-to-ceiling and wall-to-wall with filing cabinets and piles of papers that only her late husband could navigate. She was intimidated by the records and as a result would not add to them by opening envelopes she received. Determining where to begin and what was important was a year-long project that involved home visits from my staff.

Find a regular time (weekly or monthly) to deal with paperwork so that it doesn't become too much to handle.

Set a Roadmap for Going Forward

This is the key to the kingdom of independence, and one your professional advisers can help with. Many widows sense that developing a roadmap based on their own goals for the future will relieve them of considerable uncertainty and anxiety. These are your choices and need not reflect the habits of your late spouse. You may feel more relaxed by simply deciding to take this step.

Confirm That You Will Be Okay Financially

This is a time for reassurance and for taking it slow and easy. Consider a retirement or financial independence plan that shows you will be okay into your 90s or, if not, what you have to change to make sure you can live comfortably (for example, selling your home at a certain age, going back to work if you are able to, or cutting back on certain expenses).

Smart Step 6: Revise Your Portfolio to Suit Your Needs

Although you might not like to be reminded, the investment portfolio that worked for you and your spouse may not be suitable for you alone. If you've never been an investor, this is an important enough task for you to find a professional to help.

Think About Your Goals

First, think about your investment objectives going forward:

- Do you need to withdraw money from the investment account to live on?
- Is this money for you or for other generations in the future?
- Do you have charitable goals in mind?
- Do you wish to preserve capital as your main goal, or would you like to see a combination of preserving capital while having some growth?
- Or is growth your main reason for keeping a portfolio?

Arrive at Your Asset Allocation

Next, decide how much risk you are willing to take, and what return you hope to achieve. This should enable you to develop, in conjunction with the help of a professional, the correct asset allocation in terms of stocks, bonds, cash, real estate, and other items for your needs.

Set the correct time horizon for your portfolio. Think of when you might need certain amounts of money and determine how much time you can leave it to grow.

Calculate Your Withdrawals

If you need to take money out of the portfolio, think about the correct withdrawal rate that will not deplete your portfolio. Many investment professionals use 4% as a "safe" amount to withdraw each year, but this should be examined based on each person's total assets, income, expenses, age and many other personal factors.

Keep only those financial assets that you believe will help you achieve your investment goals. Hanging on to stocks because you remember when you got them makes no more sense than keeping an old dress you never plan to wear again because you remember the special dinner you wore it to. However, many people are reluctant to part with something that bears pleasant memories. I understand the tug on your emotions. If something is so meaningful to you, it may be all right to hang on to it, as long as it is only a small part of your portfolio.

Even for the items you plan to keep, rebalancing your portfolio annually is a good idea and an important part of "Spring Cleaning" to refresh the portfolio and keep it up to date. ➤

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