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Help Newly Widowed Clients Avoid These 6 Big Financial Missteps

By Mark Colgan
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Grieving clients are in danger of making some poor financial decisions when they are overwhelmed by their loss. Help ensure their emotional pain isn't compounded by financial mistakes.

We all know people who have lost loved ones—friends, colleagues, family members. It's always difficult, and one of the most painful crises we'll ever face is the loss of a spouse. A companion. A best friend. A confidante.

When a client has lost his or her spouse and is grieving, it's difficult for the one left behind to think straight—to consider practical matters when emotions are running so high. And that's how many widows and widowers end up making a bad situation even worse.

I know this can happen because I've been there. I was widowed myself several years ago, and I can appreciate how difficult the situation is. Even though I was a trained financial professional, nothing could have prepared me for what was in store after my wife's passing.

This article is my way of sharing unbiased advice to help you ensure your bereaved clients avoid the common mistakes widows and widowers often make.

- 1. Making decisions too quickly, while influenced too heavily by emotions.** Recovering from a loved one's death is a double-edged sword. In addition to the emotional toll, you also face financial issues that can have a big impact on your lifestyle. Some widows have sold their homes—thinking it's too much upkeep or the memories are too painful—and later, they regretted making this decision. Others have prematurely changed bank or financial account titles, which unintentionally created major tax consequences.
 - o **Solution:** While taking control of their finances is an important step in rebuilding their life, surviving spouses shouldn't rush into anything. Recommend that they do not make any major changes or long-term decisions about finances for at least six months to one year after a spouse's death. One of the most common of these major financial decisions is whether or not to sell their home. Significant moves like this one are better made after a period of time has gone by, when they'll be thinking more logically rather than emotionally.
- 2. Relying too much on the financial advice of a caring relative instead of an expert.** In difficult times, people naturally turn to friends and family members who care about them—but be sure that they understand the limitations these relations have as far as providing advice. When it comes to financial and legal recommendations, widows and

widowers need counsel from trained, skilled professionals.

Even if a friend has been in a similar situation, that doesn't mean they're qualified to properly assess your client's circumstances and guide that person to make the right decisions. While friends and relatives certainly mean well, they're not up to date on the latest rules and regulations, tax laws, and more. In the worst-case scenario, if the advice they give doesn't work out, it can ruin the relationship.

- **Solution:** Help clients find a good attorney and other experts they may need. Encourage them to take time in the selection process; they shouldn't just use someone because their spouse had chosen that professional or a friend liked them. There are benefits of using the services of someone who is already familiar with the widow or widower's situation, but this should not prevent clients from exploring other options.

Help your clients do [all the necessary groundwork](#): Asking for referrals, checking credentials, and meeting with the experts to ensure that there's a comfortable fit. This is another decision surviving spouses shouldn't rush into.

3. **Overlooking survivor benefits.** Many widows and widowers are unaware of financial benefits that they may be entitled to as survivors. It's important to do this research in a timely manner so that they can apply for the benefits as soon as possible. It can be hard to think about things like this while they're still grieving, but they risk losing financial benefits and even insurance protection if they don't complete and file the necessary forms.

- **Solution:** Examine their situation and make sure they receive all the benefits they deserve. Most people think about [Social Security benefits](#), but there may also be pensions, retirement funds, or other financial accounts that have benefits for survivors. For example, veterans, military service members, and their dependents can be buried in a national cemetery for free or possibly receive an allowance toward funeral and burial expenses. Other benefits may include obtaining a free ceremonial American flag, a headstone, and a presidential memorial certificate.

4. **Not setting a budget; living beyond their means.** Let's face it: If widows or widowers don't set a budget, they're taking a big risk. If they live beyond their means, they could end up broke. While it may be hard for newly independent spouses to grasp, cash flow should be their foremost concern at this time, since it will have a direct impact on their lifestyle.

Without sufficient cash for ongoing living expenses, they'll run into trouble, especially when it comes to new or one-time expenses that they'll likely have during this period, such as funeral costs, attorneys' fees, and estate taxes. There may also be some surprises along the way that they find themselves unprepared for.

- **Solution:** Help them make a detailed list of their income and expenses. Once they've established a [budget](#), recommend setting aside enough cash for ongoing living expenses, including those new or one-time expenses. They should actually try to save a bit more than they think they will need, just in case they run into one of those unplanned expenses.

For the first year or so, widows and widowers should consider revisiting the budget with you every three months—and then adjusting either their budget or their lifestyle appropriately. Simply put, if their income has been reduced, they'll need to reduce expenses. But if they've planned properly in advance, they'll be able to [live the lifestyle they choose](#).

- 5. Not obtaining—or retaining—proper insurance.** When someone passes away, life insurance may be top of mind—and it may help to defray funeral costs or initial expenses. But what about other insurance policies? From health insurance to homeowners protection to disability or long-term care insurance, do surviving spouses know what their current plans cover? Are they adequately protected?

Widowed, they're now financially independent, making the ownership of the proper insurance that much more critical. Many widows and widowers discover too late that they don't have adequate coverage—and one of their biggest financial worries is how to maintain their health insurance.

- o **Solution:** Work with insurance experts. Seek out insurance experts in a variety of fields, and work with them to advise clients on the options that are right for their specific situation.

For example, if the deceased spouse was employed and covered by a company health insurance plan at the time of his death, the surviving spouse is eligible for health coverage [through COBRA](#) (Consolidated Omnibus Budget Reconciliation Act of 1985). COBRA covers enrolled eligible family members for up to 36 months (more than the standard 18-month period) after a spouse's death.

When widows or widowers are solely responsible for their own income, carrying disability insurance is critical. And if they're considering senior living, what about long-term care insurance?

Work closely with clients to be sure that their health, homes, and lifestyles are properly covered in case the unforeseen happens. Make sure they have the right types of insurance, in the right amount, to give them peace of mind.

- 6. Failing to create a legacy plan.** Thinking about your own mortality is not easy, and it can be especially hard for widows and widowers in light of the fact that they just lost someone who was dear to them.

If they're like most people, they might be rationalizing, "I'm still young and healthy," or, "I'm too busy." And while there may be truth to some of these objections, they're not strong enough reasons to risk leaving survivors with more questions than answers.

- o **Solution:** Create a personal legacy plan. When the time is right, suggest that clients who have lost a spouse reflect on their current experiences and think about how their loved ones will cope when they pass away. Will the family know how much they meant to your client? Will they remember the advice the client passed along? Will they make the final arrangements the way that your client would have liked them to be? In reality, the time to answer to these questions is now—in their personal legacy plan.

[Personal legacy planning](#) is the way that thousands of people are now communicating their most valuable information to loved ones. Legacy plans go far beyond a legal will. They detail the "emotional assets" that the client wants to pass on, such as their values, memories, family stories, and life lessons. They also make it easy to share practical information—desires for how loved ones should care for children, grandchildren, and pets, where to find important documents, and what funeral arrangements should be.

It's never easy talking to a client about these issues in the wake of a lost spouse, but you can help ensure that their emotional pain isn't made worse by financial problems.

Mark Colgan, CFP is a nationally recognized legacy planning expert and president of Plan Your Legacy, LLC. Inspired by the challenges he faced as a young widower, Mark authored The Survivor Assistance Handbook and created www.PlanYourLegacy.com, a turnkey, advisor-centric program that preserves client's values, memories, and final wishes to ensure they leave loved ones with clarity and inspiration. Mark can be reached at 585-419-2270 or mcolgan@planyourlegacy.com.

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