

Planning Ahead: A Survival Strategy

The death of a spouse is one of the most traumatic events most people ever have to face. During the necessary and inevitable grieving period immediately following such a loss, is not the time to deal with difficult and often irreversible financial decisions. However, unless those considerations have been mapped ahead of time, the surviving spouse not only has to scramble to make funeral arrangement, but also must try and make sense out of insurance policies, pension and social security benefits, mortgages, taxes, investments and many other financial issues.

During such a stressful time, the fewer unknowns the better. I cannot emphasize enough the importance of advance planning. Not only should plans be made prior to a loss, a couple should sit down and map out a financial strategy for the surviving spouse.

One of the most important elements of a "plan ahead" strategy is an accurate, complete filing system of all assets and estate planning related materials. The following information should be included in your files as a bare minimum:

- Life insurance policies with agents names and how they be contacted.
- Any disability policies
- Auto and home insurance policies
- Any special liability policies
- Employee benefits information
- A copy of any wills or trusts
- A list of all active credit cards
- A list of all financial assets and their location (such as rental property, etc.)

Additionally, if a person owns a business, there should be advance planning about how to either dispose of that business upon the death of a spouse, or how to market the business before it begins to lose money. Deciding on buy/sell arrangements is also a good idea.

Assuming there is some advance knowledge of a terminal illness, a couple should meet with an estate planning attorney to review wills and trusts and make any necessary changes and additions to those documents. This is also a good time to discuss how property is owned, how bank accounts are titled, (will the survivor have unencumbered access), and review life insurance policies to make sure they name the correct beneficiaries. Many states also approve a list of personal property such as jewelry that can be passed on without going through a lot of formalities.

An attorney can also assist in executing a durable power of attorney and a medical durable power of attorney. The durable power of attorney gives someone the ability to deal with your financial assets prior to your death should you become unable to yourself. And a medical durable power of attorney allows you to select someone to make difficult medical care decisions for you should you become unable, as in the case of a coma, etc.

Some states also honor living wills. Living wills let you decide ahead of time if you want to use any extraordinary means to extend your life in a terminal situation.

You should also inquire about social security benefits. To do so, just fill out and return form SSA-7004-PC (Request for Earning and Benefit Estimate Statement). The form is available in any Social Security office or you can request one be mailed to you by visiting the Social Security Administration website (<http://www.ssa.gov/>), or by calling the agency's toll-free number at 1-800-772-1213.

Also, in the case of a long-term illness and an older spouse, you'll want to consult with an attorney who specializes in elder care. Often the death and/or long term-illness of a spouse stretches financial assets to their limits. Don't wait until you're desperate to begin exploiting possible income sources. An attorney can help you explore financial options as well as outside care sources such as hospice and home health care aids.

Couples coping with long-term illness should not neglect taking advantage of even small amounts of insurance. Often all it takes is signing and returning a card to get a few thousand dollars worth of coverage from credit cards or credit unions. Even small amounts of insurance can come in handy when bills begin to accumulate. Another extremely important thing to remember is to maintain your insurance premiums. Sometimes in the midst of trying to care for a terminally ill spouse or in the aftermath of a death, it easy to let things slip. But if you miss even one insurance payment, you have no insurance.

If, despite exploiting all other options, you still find yourself in desperate need of money, it is sometimes possible to collect accelerated death benefits from an insurance policy assuming you've had the policy for a while. Accelerated death benefits give you access to some portion of your death benefits prior to death and then they are deducted from the benefits the company will pay after death.

Finally, consult with a financial planner about your particular situation. Many planners specialize in geriatric care and they know what's available as far as medical benefits and cash resources (both before and after the death of a spouse). A planner can also work with you on allocating expenses, exploiting survivor benefits, and making investments for the surviving spouse. Older couples may also want to discuss living arrangements for a surviving spouse. Involving your planner in all phases of this process is extremely helpful as he or she can guide you through the maze of options.

— Michael Snowden, CFP®