

Preparing Clients for Widowhood

by Bill Harris, CFP®



Bill Harris, CFP®, is a co-founder and principal of WH Cornerstone Investments and president of the board of directors for FPA of Massachusetts. He is passionate about empowering widows with

their financial futures. Follow him on Twitter @whcornerstone or @billmharris.

HARRIETT SAT AROUND the table in our log cabin conference room, nestled in front of a large brick fireplace. It's typically a warm, comfortable space designed for meaningful conversation but this day, it wasn't. Harriett, who is in her late 50s, generally possessed an iron disposition, but she was awakening to the realities of widowhood. She was reflecting back on her life. She was pale and still. Looking at her, it was hard to tell if she was even present. Holding back her tears, Harriett began the process of her future, alone.

Ironically, only months earlier, Harriett and her husband, Sam, came to visit us to plan for his early retirement. But by the time they were ready to move forward with their retirement planning, the planning shifted to focus on Sam's impending death. He had just been diagnosed with a terminal illness that would take him quickly.

This true story is a cautionary tale that many in our profession will navigate with our clients. If you are a married woman in the United States, you can expect to outlive your husband by nearly 10 years. If you have married

clients, one of them will eventually die. If you are a gambler, bet on the husband to go first. As financial planners, we need to get our clients ready.

The Stats

If you haven't yet experienced this pain with a client, get ready; a demographic tsunami is upon us. We often hear that the man dies first, but still, the stats are shocking. According to the U.S. Census Bureau, of the estimated 1 million people widowed each year, approximately 88 percent will be women. Currently, 85 percent of the approximately 14 million Americans who have lost their spouses are women.

“Widowhood isn't necessarily happening to little old ladies.”

The U.S. Census Bureau also reports that nearly half of the women over age 65 in the U.S. are widows, and seven in 10 of these women live alone. And, the rate of poverty among elderly widows is consistently three to four times higher than elderly married women. Twenty-five percent of widows spend their husband's death benefits within two months after death, according to the Social Security Administration. Widowhood isn't necessarily happening

to little old ladies. According to the 2011 U.S. Census, the median age of widowhood was 59. Other statistics claim the average age is 55 or 56.

A Solution

Widowhood will quickly expose any weakness in a financial plan. Scenario planning may be the best way to identify these potential pitfalls.

While no “to-do” list is exhaustive, below are some easy-to-follow steps to work on with your clients. A regularly scheduled “fire-drill” is essential, because knowledge plus drilling equals reaction. When clients become widowed, they will react; it's our job as their trusted adviser to make sure they react productively.

Step 1: Scenario Plan

At one of your client meetings, challenge your clients to walk through what would happen if one of them were to die. Would the other know where the important documents are stored? Would they be able to manage and live in the current house? In most relationships, one person takes the lead in handling money matters, from bill paying to investments. Understanding the big picture of the household finances can help each spouse feel less confused when his or her partner dies. It may be an uncomfortable conversation, but it is a very valuable one.

Step 2: Make Sure Life Insurance Is Adequate

Statistically, Americans are underinsured. Forty-three in 100 people have no

coverage of any kind. Two in 10 people only have life insurance because it was offered through work, which is typically one or two times their salary—not enough for the family to live on for very long. Within one month, nearly one-third of Americans feel the loss of the primary earner in the household, yet 60 percent feel they will never buy life insurance, according to LIMRA.

“The risk of widowhood is real and the effects are much more than financial.”

Step 3: Inventory Accounts and Organize Documents

Have clients make a list of all their accounts, owned individually and jointly. Include account numbers and the websites to access them, and have clients review this list annually. Your clients should check with their creditors to ask whether there is any applicable insurance that pays off the account in the event of a cardholder's death (credit cards, auto loans, and mortgages may have this type of insurance). Have clients keep this information in an easy-to-remember location.

Also, have clients identify and organize important documents. Make sure all parties know where important documents are stored, especially birth and marriage certificates, wills, trusts, and military discharge papers (if benefits exist).

Step 4: Get Access to Online Accounts and Passwords

Several states have enacted laws addressing access to online accounts

or certain electronically stored information upon a person's death. The Revised Uniform Fiduciary Access to Digital Assets Act relates to uniform fiduciary access to digital assets. When someone dies, all online accounts terminate. Terms of service agreements and privacy policies govern access to social media and email accounts, and most expire when a user dies. It is not transferable, therefore, “We share an e-mail account” might not work well after a spouse dies. Encourage your clients to have a safe storage place for all their online passwords so spouses or other family members can access accounts when needed.

Step 5: Build the Dream Team of Advisers

Encourage clients to share with you their team of advisers (accounting, legal, insurance, etc.). Names and phone numbers should be accessible to the whole team. If there's a hole in any area of professional advisers, fill it now; a crisis is not the time to be shopping for a trusted adviser.

Step 6: Develop Strong Social Networks

According to widowshope.org, on average, 75 percent of a widow's or widower's support base is lost following the loss of a spouse, including support from family and friends. Oftentimes, couples who were friends no longer know how to deal with a friend who is now single. As your clients' trusted adviser, know the social services, councils on aging, senior centers, houses of worship, and other social activities in your community so you can offer suggestions to your widowed clients.

As planners, our job is to minimize financial risks. The risk of widowhood is real and the effects are much more than financial. Encourage your married clients to prepare for widowhood now. They will be grateful if they are faced with this situation. ■



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