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WEALTH
Keith Singer, JD CFP™

When you lose a spouse

Keith Singer
Singer Wealth Advisors
Location: 1515 S. Federal Highway, #211, Boca Raton, FL 33432
Phone: 561-998-9985
Website: www.singerwealth.com
Email: Keith@singerwealth.com

After sharing a life with a spouse for many years or decades, it can be incredibly sad and lonely when that spouse passes away. It is customary for one's friends and family to come to the surviving spouse's home to provide consolation and comfort. However, once everyone goes home and gets back to their normal lives, reality sets in.

Besides grieving, the surviving spouse has a lot to do to get their affairs in order. They need to track down all assets and make sure they are retitled correctly. There may be survivors' benefits that are available from Social Security. Once all assets have been gathered and accounted for, the surviving spouse needs to make many important decisions.

How are they going to generate income to replace the loss of one spouse' s Social Security or pension? What should their investment approach be?

Professional financial advisors can help with creating a plan that is tailored to meet the needs and risk tolerance of the surviving spouse. One major disadvantage of being single is that single people with the same income as a married couple will pay more taxes on that income. A widow can continue to file jointly for the year that the spouse died. There may be some tax planning that can be done that year while in lower tax brackets like accelerating income, and partially converting Roth IRAs.

The spouse also must elect to inherit their spouse's IRA as spousal IRA or as a beneficiary IRA. The wrong choice can result in higher taxes. It's also wise to review and update their estate plan, especially if the deceased spouse was the survivor's primary beneficiary. Also, currently each spouse gets to exempt $12.06 million from estate taxes.

To preserve that exemption and add it to their own when they die, the surviving spouse must be timely in filing an estate tax return. With the numerous tasks that must be completed and many important decisions that must be made, obtaining the correct advice is critical.