Financial Planning for Widows

BY JOHN PROKOP, CPA, REGENTATLANTIC CAPITAL, LLC

Jean first arrived at her financial planner's office six months ago with her son, shortly after her husband passed away. At age 69, Jean was experiencing shock over the loss of her husband and fear of the future. She was overwhelmed, and it was having a detrimental effect on her daily life. Thoughts of financial insecurity and doubt caused her to continually question, "Will I be okay?" and "Who will help me now that my husband is gone?" Her son was willing to help, but he admitted that some of the tasks were beyond his expertise, and his career and children limited his ability to provide all of the help Jean needed. This scenario is not unusual for a widow, especially one whose husband handled the bulk of the financial tasks in the home.

Initial Meeting

When meeting with a widow for the first time, more than anything, a planner must be patient, reassuring and a good listener. The planner's goal is to help these clients move ahead with their financial and emotional lives. By encouraging the client to include a family member or other advisor in the meeting, she will understand that there's a team of people offering support. At the initial meeting, focus on these points:

Short-term cash-flow needs – Is the client comfortable with the level of cash on hand for living expenses?

Communication with other professionals – Has the client contacted her CPA, estate attorney and insurance professional? Unfortunately, widows often make financial decisions prior to speaking with their advisors. These decisions can negate the benefits of a well-crafted estate plan that was previously put in place.

The current financial situation and financial goals – What are the client's assets, liabilities, living expenses and income sources? She may not know the answers, in which case you would ask the client to forward you any financial statements so you can organize the information. To protect the client's credit record, determine whether she is paying the bills on time. Grief sometimes results in neglect of ordinary, yet important, tasks like opening the mail and dealing with financial matters.

Warn against making immediate irrevocable financial decisions – Selling the house, lending/gifting to family members or making large purchases or investments should be delayed until the appropriate analysis has been completed.

Subsequent Meetings

The initial meeting is to gather information, and it's unlikely that many financial recommendations will be made at that time. Keep recommendations simple. Terms like "standard deviation" and "correlation" merely cause confusion and frustration. Subsequent meetings are focused more on specific recommendations related to:

Retirement projections – Is the client financially secure, assuming a current spending level? Test a few other spending levels to see how sensitive the results are.

Cash-flow analysis – Be specific about the sources of cash flow (e.g., pension, Social Security, investment accounts) and have them directly deposited into a bank checking account for convenience.

Investment portfolio analysis – What is the least amount of risk the client's investment portfolio needs to take to achieve the financial goals? The financial markets have recently changed investors' attitudes toward risk. This is especially true for investors at or near retirement. Instead of taking on more portfolio risk in the hope of leaving a greater amount to heirs, clients are choosing less-volatile portfolios.

Avoidance

Finally, there are a few traps that widows are vulnerable to:

- Well-intentioned friends and family members are eager to help by offering financial advice. However, due to lack of expertise or lack of knowledge, their advice can be inaccurate, incomplete and sometimes harmful.
- The "do nothing" solution. Widows sometimes feel hesitant to change what their spouse established, especially in the investment area. It's important to be sure the client understands and is comfortable with the portfolio's risks, as her aversion to risk may be different from her spouse's.

Note: The above also applies to widowers whose wives handled the financial duties. Using the right approach, a financial planner can help widows or widowers establish realistic, achievable financial goals, take control of their financial future and move forward confidently.

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