How to Overcome the Seven Biggest Mistakes Widows Make after Their Husband's Death

By Mark Colgan, CFP®

We all know people who've lost loved ones – friends … colleagues … family members … But one of the most painful crises we'll ever face in life is the loss of a spouse. Your companion. Your best friend. Your confidante.

While you're grieving, it's difficult to think straight – to consider practical matters when you're so wrapped up emotionally. 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 your 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.

That's why today, I'm committed to providing you with unbiased advice to ensure you avoid the common mistakes widows like us often make.

 mcolgan@colgancapital.com 585.419.2270

MISTAKE #1: *Making decisions too quickly – while you're 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.

Solution: *While taking control of your finances is an important step in rebuilding your life, don't rush into anything.*

We recommend that you not make any major changes or long-term decisions about finances for at least six months to one year after your husband's death. One of the most common of these major financial decisions is whether or not to sell your home. Significant moves like this one are better made after a period of time has gone by, when you'll be thinking more logically rather than emotionally.

MISTAKE #2: *Solely relying on the financial advice of a caring relative instead of seeking assistance from an expert.*

In difficult times, you'll naturally turn to friends and family members who care about you – but be sure that you understand their limitations as far as offering advice. When it comes to financial and/or legal recommendations, you need counsel from trained, skilled professionals.

Even if your friend has been in a similar situation, that doesn't mean they're qualified to properly assess *your* circumstances and guide you to make the right decisions. While they certainly mean well, they're not up-to-date on the latest rules and regulations, tax laws, and more.

Worse yet, if the advice they give you doesn't work out, it can affect your relationship in the long run.

Solution: *Partner with a good financial advisor and attorney.*

Take time in the selection process: don't just use someone because your husband had chosen them or your friend liked them. There are benefits of using the services of someone who is already familiar with your situation; however, this should not prevent you from exploring other options.

Ask for referrals, check credentials, and meet with the advisors to ensure that you're comfortable with them. This is another decision you shouldn't rush into.

MISTAKE #3: *Working with a financial generalist, not a specialist.*

Nobody can be all things to all people. Even the large financial services companies know that. If you had a life-threatening heart complication that required emergency surgery, would you go to your primary care physician? Of course not. You'd find a highly qualified heart surgeon who had done the procedure hundreds of times.

Your financial health is just as important – and the person who helps you with your taxes may not be the right person to recommend wealth management strategies.

Solution: *Work with a respected financial management firm and let them evaluate the best money managers and service providers for you.*

This is their specialty. They're not doing heart surgery. They're not arguing before the Supreme Court. Their expertise is in money management. They evaluate all of your specific options, discuss them with you, and then engage the ones they feel will be in your best interest.

MISTAKE #4: *Overlooking survivor benefits.*

Many widows 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 you can apply for the benefits as soon as possible. I know it's hard to think about things like this while you're still grieving, but you risk losing financial benefits and even insurance protection if you don't complete and file the necessary forms.

Solution: *Rely on your financial management firm to thoroughly examine your situation and make sure you receive **all** the benefits you 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/or presidential memorial certificate.

MISTAKE #5: *Not setting a budget and living beyond your means.*

Let's face it: if you don't set a budget, you're setting yourself up for failure – and if you live beyond your means, you could end up broke. While it may be hard to grasp, cash flow should be your foremost concern at this time, since it will have a direct impact on your lifestyle.

Without sufficient cash for ongoing living expenses, you'll run into trouble, especially when it comes to new or one-time expenses that you'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 you find yourself unprepared for.

Solution: *Let your financial management firm help you make a detailed list of your income and expenses.*

Once you've established your budget, we recommend setting aside enough cash for ongoing living expenses, including those new or one-time expenses. You should actually try to save a bit *more* than you think you will need, just in case you run into one of those unplanned expenses.

For the first year or so, we suggest revisiting your budget every three months – and then adjusting either your budget or your lifestyle appropriately! Simply put, if your income has been reduced, you'll need to reduce expenses. But if you've planned properly in advance, you'll be able to live the lifestyle you choose.

MISTAKE #6: *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 your other insurance policies? From health insurance to homeowners protection to disability or long-term care insurance, do you know what your current plans cover? Are you properly protected?

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

Solution: *Engage a financial management firm that works with insurance experts.*

A good money management firm will surround themselves with insurance experts in a variety of fields, and we work them to advise clients on the options that are right for their specific situation.

For example, if your spouse was employed and covered by his company's health insurance plan at the time of his death, you are 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 your spouse's death.

If you're now solely responsible for your own income, then carrying disability insurance is critical. And if you're considering senior living, what about long-term care insurance?

We work closely with clients to be sure that their health, homes, and lifestyles are properly covered in case the unforeseen happens. We'll make sure you have the right types of insurance, in the right amount, to give you peace of mind.

MISTAKE #7: *Failing to create a legacy plan.*

By now, you've certainly come to appreciate the abundance of complexities that arise in the aftermath of death. Thinking about your own mortality is not easy, especially in light of the fact that you just lost someone who was dear to you.

If you're like most people, you might be thinking "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 your survivors with more questions than answers.

Solution: *Create your own personal legacy plan.*

When the time is right, I suggest that you reflect on your current experiences and think about how your loved ones will cope when *you* pass away. Will they know how much they meant to you? Will they remember the advice you passed along? Will they make the final arrangements the way that you would have liked them to be? In reality, the time to answer to these questions is **now** – in your personal legacy plan.

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

About the Author

Mark Colgan is Founder and CEO of Plan Your Legacy and President of Colgan Capital. The combination of his personal and professional background gives him a unique perspective on financial and legacy planning. In 2001, he was a successful Certified Financial PlannerTM professional who'd been married to his wife, Joanne, for seven years. When she died unexpectedly at the age of 28, Mark's wonderful life was dramatically changed forever.

Inspired by the challenges he faced as a young widower, Mark authored *The Survivor Assistance Handbook: A Guide for Financial Transition*. Mark also founded Plan Your Legacy, a company dedicated to helping individuals create legacy plans that preserve their values, memories and final wishes.

Today, Mark is a national speaker and an often-cited expert on legacy planning. His articles have appeared in such national publications as U.S. News and World Report, The Journal of Financial Planning, American Association of Individual Investors, and Money Adviser, a Consumer Reports publication. He has also been cited by Fox News, CBS MarketWatch, Oprah and Friends, and other national media