Estate Planning Essentials for the Recently Widowed

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The death of a loved one may be the most disheartening and anguishing experience someone will ever face. Guiding your widowed clients in settling their partners' estates and making sensible financial planning decisions can be quite challenging.

As a planner and partner in managing affairs, what proactive steps can you take for such clients to help minimize sudden hardships? Assess the following immediate priorities and estate planning considerations for widowed clients to help them successfully transition to independence.

Locate Documents and Protect Legacy

Gather and review your departed clients' financial and legal documents, including wills, letters of intent, trust agreements, and amendments. Inform your widowed clients that they should retrieve multiple copies of the certified death certificate from the family physician or medical examiner within 24 hours of the loved one's death. Be cognizant that financial institutions, creditors, and government agencies all require this proof of death before they can allow anyone to act upon settling the estate.

Did your late client have a prepaid distribution plan or leave instructions for family members on how they desired to be memorialized? Assist the surviving partner in arranging the funeral service, coordinating cultural rituals, and making any requested anatomical gifts, such as organ donations.

Verify that your widowed client placed safeguards to protect any personal property, including residences and automobiles, from possible theft or damage. Ensure the client's trustee or executor asserts control of their loved one's bill paying and continues to collect all mail. Don't forget to preserve your client's digital legacy by helping family members gather a list of online passwords for email and social networking accounts.

Organize Information to Facilitate Planning

Be sure the widowed client notifies each of the investment firms and retirement plans in which their loved one had an account at their earliest convenience. They can report their loved one's death to the Social Security Administration at (800) 772-1213. Should your late client receive Social Security benefits via direct deposit, tell the surviving spouse to request that the bank return any funds or checks it receives for the month of death and beyond to Social Security.

Advise the surviving partner to set up a filing system for expeditious retrieval of valuable estate information, such as credit card statements, bank correspondence, and employer benefits brochures. However you guide your client's loved ones to organize records, keep a separate file of any claims against the estate, your departed client's debt, and an ongoing ledger of payment of these debts. Once you can help them track all relevant paperwork, confirm named beneficiaries and post-death distribution options for any IRAs or life insurance policies.

In coordination with legal professionals and valuation consultants, you can minimize delays by assembling an estate asset inventory and securing copies of your departed client's tax returns. If widowed clients have not previously worked with a tax preparation professional, you should inquire about their pertinent documents and tax issues for the current year.

Complete Estate Administration

Concurrent with the direction of legal counsel, you should consult state law to help your widowed client file the last will with the appropriate probate court, within a specific period of time after their loved one's death. If the real estate was owned out-of-state, be cognizant that the appointed executor files ancillary probate in that state. In the event there is no will, you should instruct the personal representative to contact the probate court or attorney for assistance.

At the appropriate time, you should determine the titling of accounts and plan to transfer ownership to the widowed client's name or beneficiary for all financial relationships they held jointly with their loved ones (for example, joint tenants with right of survivorship, tenants by the entireties, and payable-on-death accounts). Be wary of impending business transactions and significant management concerns if your widowed clients owned an interest in a business.

Should the estate be large enough ($5.43 million in 2015) to be taxable, know that you typically have nine months from the date of your client's death to file a complete federal estate tax return (Form 706). Acquaint yourself with state law to determine if the executor or trustee needs to file state estate tax and inheritance tax returns. Federal and state income tax returns are also due for the year of death on the normal filing date, unless an extension is requested.

Maintain Widowed Clients' Plans

Advise your widowed clients to store their estate planning documents in secure, fireproof safes in their homes, or depending on state law, in a bank safe-deposit box. Tell your clients to consult with their estate planning attorneys about rules relating to accessing safe-deposit boxes. Under some state laws, safe-deposit boxes are sealed during probate, while other banks allow survivors with appropriate documentation to search their loved ones' deposit boxes for a will.

Consider having your clients keep digital copies of their documents in password-protected online repositories, such as www.everplans.com. These services can help clients take control of the end-of-life planning process by safely storing wills, funeral wishes, and integral digital data in a secure vault.

In addition, your widowed clients can store electronic identification information, such as passwords and user IDs, on these digital planning platforms. Heirs may not be able to stop automated online bills, such as automobile payments or insurance premiums, if they do not know their loved one's passwords and user IDs. Be sure to also inform them to keep records of this digital information on a flash drive or CD.

Employ Viable Planning Strategies

Working in tandem with credentialed estate planning practitioners, you can update the surviving clients' wills and estate plans. Think about including charitable bequests for those organizations that they and their loved ones supported previously.

If your clients seem ready to bring up the topic of their own death, suggest that they compile a legacy book that delineates their personal wishes and contains the information surviving family members will need to settle the estate. Consider having them compose a legacy letter that passes on their values, goals, and aspirations for the next generations. It's also pivotal for you to discuss college planning options for the widowed clients' kids and grandchildren, as education savings may now become a higher priority.

Evaluate taking advantage of the federal exemption portability provision to avoid or reduce the surviving spouse's estate and income taxes. Be knowledgeable that any transfer of assets to children or other family members (or trusts for their benefit) may consume part of the deceased spouses' exclusion. In addition, a portability election provides a favorable situation if the surviving spouse's consumption rate is anticipated to surpass the assets' growth rate.

Remember to also seek the consultation of qualified tax advisers before making choices on rolling over the loved one's IRAs into the surviving spouse's IRA plans. Alternatively, if the widowed client is younger than 59½ and needs extra income, consider making the late spouse's account a beneficiary IRA to minimize income tax paid on early distributions. Note that other exceptions may exist.

Clearly, planners who understand the unique estate needs and grieving process of widowed clients will be better able to apply estate strategies that accounts for their new life transition. Your reassurance and comfort are integral attributes to helping clients take control of their personal and financial lives. ■