After the Death of a Loved One

Taking Control of Your Financial Future

By

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AFTER THE DEATH OF A LOVED ONE

The death of a loved one brings a flood of extreme emotions and upheaval that is a natural part of the grieving process. In the early stages of this experience, you may find it difficult to make simple rational decisions, or you may feel completely unprepared to face ordinary decisions, let alone the kind of complex financial decisions that often accompany a loved one's death. Yet settling financial affairs and addressing issues related to your future are an essential part of your healing process.

"Financial stress can be particularly hard to deal with while you are grieving," writes Alice Y. Chang, MD, Clinical Instructor in Medicine, Harvard Medical School. "In my practice, I have often seen that grief symptoms begin to clear only after the finances have been settled."

In the days and months following a loved one's death, you will need to make some far-reaching financial decisions. For many, struggling with grief can seriously hamper their ability to evaluate the options and select the best ones for their new circumstances. You don't need to solve all the problems on your own, however. Professionals can help you choose the best solutions.

This paper will help you identify the major financial issues, such as establishing income needs, managing retirement investments, selling family businesses, and others. It will also help you identify priorities. You can defer some decisions, but others require settlement soon after the death of a loved one. By understanding and taking control of your financial life, your healing, grief recovery, and sense of well-being will progress.

FINANCIAL COMPONENT OF LOSS

When a loved one dies, the last things most people want to confront are the immediate financial questions, let alone the medium and long range implications, such as selecting income investments. The common belief—still sometimes prescribed in the popular press—recommends making no decisions of a financial nature for a year or more. ***For many widows, this advice is the worst possible path to follow.***

Experts in financial planning for widows recommend that you do defer all major life decisions that you can postpone. For example, the decision to sell your home and relocate can wait for a year or more—if there are no pressing financial or family issues requiring you to act earlier. You can put off the selling of a weekend or vacation home. Taking early retirement, starting a new job, or launching a new business each requires careful evaluation, not an impulsive decision made under the stress of grief. In general, decisions that are irreversible—or reversible only at great cost—should be delayed until you can think clearly and confidently about the future and examine the merits of various solutions. One trust and estate attorney puts it this way: "No financial decisions should be made ***alone*** for at least the first six months."

> *"In my practice, I have often seen that grief symptoms begin to clear only after the finances have been settled."*
>
> — Alice Y. Chang, MD, Harvard Medical School

You can delay gifting until you have a very firm grip on your emotions, your new reality, and its implications for your future. While people you respect may solicit you for charitable donations in memory of your loved one, you can postpone such important decisions until you have regained perspective and sought guidance from an objective, trusted advisor who can help you decide the amounts, recipients, and timing of any contributions.

On the other hand, a variety of important financial decisions should not be postponed—for example, anything that will affect your tax bill. Other issues, such as appropriate investing of life insurance death benefits, might require action even within the first months. At the very least, you need to prioritize the financial issues in your situation so you can tackle them in an orderly and timely manner. Failing to address urgent financial decisions may compound the grieving process into a catastrophic financial loss from which it would be very difficult to recover.

JUDY'S STORY

Take the case of Judy, whose husband, John, was a successful medical professional with a thriving business in California. Judy and John were devastated to receive the news that John's cancer, which they thought he had beaten more than a year earlier, had now spread to his liver and his lungs. Just over a month later, John was gone, leaving Judy in a state of utter shock.

If Judy had followed the conventional wisdom of not making any decisions for a year, she would have lost several financial benefits:

- Selling John's million-dollar professional practice. Its value would have evaporated if she had delayed the sale.
- Investing John's life insurance proceeds of $2.25 million in suitable long-term investments, rather than leaving the proceeds in money market funds, which earned less than the rate of inflation.
- Refinancing two homes, thereby reducing the monthly payments without lengthening the term.
- Reacquiring health insurance for the family. Judy's health insurance was in jeopardy because she no longer qualified for the coverage that had been available through John's business.

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- Significantly increasing Judy's property and casualty coverage, including her umbrella coverage, saving her about $3,500 per year over the old cost.
- Having a clear investment and wealth-management plan designed for her new circumstances.

In short, doing nothing that first year would have diminished the probability that she would reach the financial and family goals that she and John had for their family. Judy worked with a financial advisor who specialized in wealth management for people in circumstances similar to hers. Together they addressed these issues along with several others to establish a solid financial plan for her new circumstances.

Like Judy, you don't need to solve all your financial questions alone. You can enlist the right professionals—an attorney, a CPA, and a financial advisor (preferably a wealth manager)—to guide you about the best possible decisions regarding your particular situation. Financial advisors who specialize in working with the bereaved can be especially helpful in determining what can and can't be delayed. Working at a pace that is comfortable for you, they can create a comprehensive personal financial plan for the years ahead.

Even survivors with experience in financial matters often find themselves ill equipped to help themselves while grieving. When Shelly's husband died of a heart attack several years ago, she thought she could handle all the financial issues herself. During her twenty-plus years working in bank trust departments, she had helped hundreds of surviving spouses sort through their financial decisions. She quickly discovered, however, that helping others wasn't the same as helping herself. She was emotionally devastated and turned to advisors to help her.

Common Questions Widows and Widowers Ask

Typically, survivors need to address financial issues in three categories:

- Financial issues that need your immediate attention
- Financial decisions that you can defer
- Control of your investments, insurance, income, and expenses.

Besides the practical tasks of locating all financial documents and filing death claims with life insurance carriers, surviving spouses often confront a range of financial issues. The seriousness of each—and the best method to resolve them—varies with each situation. An attorney can help with wills, trusts, inheritance and estate issues. CPAs will sort through income and estate tax questions. CPAs and trust and estate attorneys are usually qualified and experienced in filing the U.S. Estate Tax Return for clients.

The questions you might ask yourself include:

Income and Investments

- Will I have enough income to support my current lifestyle?
- If I've been left money in trust, what income do I receive and what rights do I have?
- How do I invest life insurance and other lump-sum proceeds?
- How should my investment plan be modified to conform to my new situation?
- What tax consequences would restructuring create?

Protection and Insurance

- Is my medical coverage affected in any way?
- Do I need to make adjustments or find new coverage?
- Do I need to stop or start making premium payments that had been automatically deducted from a paycheck or bank account?
- Would an extended illness erode my assets to the point where other goals couldn't be realized?
- Is my liability coverage cost-effective and does it cover what it should?
- What protection do I have against judgment creditor claims?

JOHANNA'S STORY—A CAUTIONARY TALE

Eric and Johanna had been married for sixteen years and were preparing for a summer vacation in Europe when Eric started to experience severe chest pains. A battery of tests revealed that he had sarcoma in his rib cage.

After careful consultations, leading oncologists and surgeons formulated an aggressive treatment plan to defeat the cancer that had intruded upon Eric and Johanna's lives. Just as they were about to board a plane for New York where he would receive thoracic surgery at the famous Memorial Sloan-Kettering Cancer Center, new and alarming symptoms surfaced. A brain biopsy revealed melanoma—an old foe that had been quiet for the last fifteen years.

There was nothing more that could be done medically. One week later, Eric died. He left Johanna alone with two troubled stepsons to raise and an estate of about $3 million to administer.

Over the years, Eric had managed all the family finances and had done very well. He had enlisted the help of an attorney friend to draft their estate plan. Since Johanna was not a U.S. citizen, he got another friend and colleague to serve as a co-trustee with her. He arranged with yet another friend to sell their Silicon Valley home after his death. He thought of just about everything, except enlisting the help of a wealth manager who specializes in helping families like theirs.

Johanna was devastated by Eric's death. In the course of just a few weeks, her life had gone from normal to terribly out of control. Grief now gripped her. At the very time she most needed all her energy and mental faculties to tackle the complications Eric's death brought to their financial situation, she was experiencing all the faces of grief: confusion, depression, and the lack of ability to focus or concentrate. She took comfort, however, in the care Eric had taken to see that everything was set up with friends whom she trusted to help her.

Over the next several years Johanna faced a series of problems. It seemed that everybody wanted to take advantage of her situation. One after another, those trusted friends turned mercenary. The real estate agent Eric chose to sell their Silicon Valley house hired family members to do the necessary repairs and charged her a finder's fee. The family members took Johanna's deposit money, refused to do the work, and moved away.

Once the housing issues were settled, problems arose with the estate planning. The attorney friend of Eric's who set everything up built in layers of complexity that made estate settlement and management nearly impossible, even changing the outcome Eric and Johanna had desired in the first place.

The "friend" who agreed to be co-trustee with Johanna, she discovered, was using alcohol so heavily that he was of little or no help to her, and yet he insisted on charging her excessive trustee fees. Getting him replaced proved difficult and expensive.

Eric had managed their stocks and bonds himself, but had advised Johanna to turn the portfolio over to one of the nation's largest and best known brokerage firms, recommending a broker whom he knew. Things went along until Johanna's account was turned over to a younger broker who made unauthorized trades and went against her direct orders, resulting in a substantial loss of money in her cash account, to which Johanna had contributed from her salary.

Johanna lost hundreds of thousands of dollars to opportunistic and unreliable "friends" whom she trusted. Her devoted second husband, a retired CPA, helped her bring order to her affairs and called in the author's wealth-management firm American Eagle Wealth Advisors to improve and simplify her situation. When she learned about the firm's work with the bereaved and terminally ill, she expressed her deep appreciation that there was a professional who could spare others an ordeal similar to hers.

WHAT A WEALTH MANAGER DOES

A wealth manager can guide you through the financial issues and coordinate the work of your attorney and accountant to attain the best outcome for your situation. In addition, a wealth manager can guide you through the short and long term planning questions.

While "wealth management" may sound like a general term, it actually refers to a specific approach and process to help clients with their financial matters. A wealth manager works like a financial architect, taking a holistic view of your situation before creating a detailed plan and providing solutions to all the major challenges of your financial life. A wealth manager also coordinates the entire process to make sure the solutions are implemented.

In its simplest form, wealth management is composed of three phases:

1. A consultative process to establish a close understanding of the client's goals and his or her highest financial wants and needs.
2. Customized choices and solutions designed to fit each client's individual needs. This range of interrelated financial services and products might include, among other things, investment management, insurance, estate planning, and retirement planning.
3. Implementing these solutions in close consultation with the client and coordinating the work of other professionals. The wealth manager works with clients on an ongoing basis to monitor their progress and systematically identify and address any new needs that may emerge in the future.

Wealth management breaks the typical situation in which widows, for example, must contract and manage a range of professionals, each specializing in a single area: the investment advisor managing portfolios, the insurance agent selling life insurance, the accountant handling taxes, and the attorney taking care of estate planning. By centralizing management with a single lead advisor—the wealth manager—clients no longer need to independently locate, retain, and manage the relationship with a different professional for every aspect of their financial lives. Typically, a wealth manager will not have CPAs or attorneys on staff but will either work with the client's or have an independent network of specialists available to help as needed.

The wide array of financial services, products, and strategies that are part of the wealth manager's tool kit can help someone grappling with financial challenges after the death of a loved one:

Investments

- Planning services include financial planning, education planning, retirement planning, business succession, and any other planning service where investments play a substantial role.
- Brokerage services primarily include the buying and selling of securities, but also include transactions such as hedging concentrated stock positions.
- Asset management services include mutual funds, managed accounts, fee-based brokerage accounts, and alternative investments, such as hedge funds, managed futures, real estate, and private equity funds.
- Charitable-gifting services include those that are found in private foundations, donor-advised funds, charitable remainder trusts, and charitable lead trusts where the client can maintain management control with the wealth advisor over the investments in these entities.

Insurance

- Wealth transfer services are intended to identify and facilitate the most tax-efficient way to pass assets to succeeding generations.
- Asset protection services are designed to shield wealth from litigants, creditors, and others. There are a great number of strategies available to accomplish this, including liability insurance and legal techniques.
- Property and casualty insurance can cover everything from the mundane (autos, homes) to the exotic (rare artwork, yachts).

Credit

- Credit services related to mortgages, personal loans and, for business owners, commercial loans.
- Loans to estate planning entities such as grantor-retained annuity trusts.

USING THE TEAM APPROACH TO RESTRUCTURE YOUR FINANCIAL LIFE

The many tasks that a survivor faces upon a family member's death can confound even those who have been able to plan carefully for the eventuality. They impact the prepared as well as the unprepared. In the weeks and months that follow a loved one's death, a stream of paperwork will flow across your desk, including documents regarding insurance, employers, Social Security, and investments. (See Appendix: **A Survivor's Financial Checklist.)**

The first person many recent widows and widowers turn to for financial advice is a family member or friend. While this person may provide essential emotional support, it is unlikely he or she can serve as a source of dispassionate expert advice. And, if overused, this relationship may create an unhealthy dependency that shields a survivor from making his or her own decisions. For these reasons, it may make more sense to turn to a trusted advisor.

A preferable role for this supportive friend or family member might be to accompany you as you meet with your advisor or as you interview a new advisor. He or she can help you both evaluate the advisor and focus on the financial decisions at hand.

Instead of going it alone, you might want to consider working with a personal wealth manager as mentioned above. This person, acting as your personal chief financial officer, oversees financial planning, investments, insurance, and other long-term strategies, and coordinates the work of your attorney and accountant to avoid or mediate the strategy conflicts that can arise. Typically, the wealth manager will also handle the small but important details not addressed by other professionals.

Some of the most important decisions you need to make will involve all three professionals working together. Depending on the particulars of your financial situation, other specialists may be called in to help with certain aspects of your planning. These might include a business valuation specialist, a business sales professional, a mergers and acquisition or securities attorney, an expert in insurance (property plus casualty and life coverage), or a credit specialist, among others.

FINDING YOUR WEALTH MANAGER

The wealth manager you select should be willing to fully understand your family situation and your finances—someone to listen to you and focus on your values, goals, fears, and dreams. Generic solutions can often cause further harm while attempting to solve one piece of a complex picture. This professional can be proactive—thinking ahead, while laying out and explaining step-by-step what a financial plan for you might involve. For example, determining how much income you might require before and after retirement age to maintain your lifestyle, while still covering education expenses for children or grandchildren, could be critical to your scenario.

A professional with significant experience counseling others through difficult situations such as yours can offer a greater sense of support. Professionals with counseling skills are specially trained to help people struggling with bereavement issues. They can help those going through the grief process to be sure that their needs are met, even when they themselves may not clearly see what is in their own best interest.

Generic solutions can often cause further harm while attempting to solve one piece of a complex picture.

The choice of the right wealth manager is a critical one. You should be comfortable sharing any details of your private life that directly impact your financial future and that of your family. You will also need to feel confident delegating certain tasks while sharing long-term oversight of your plan. Characteristics of the right wealth manager include:

- In practice for ten years or more.
- Relationships—works well with other professionals, such as lawyers, accountants, insurance experts, business consultants, and others who can help achieve the appropriate solutions.
- Experience with the financial decisions you are facing.
- A practice with a limited number of new clients, so you get the attention you require.
- A clear client orientation and the ability to explain concepts in a way that you understand.

This last is difficult to quantify, but not difficult to understand. You should go with your instinct. You might consider entering an initial interview with a list of issues that are important to you.

A wealth manager's job is to listen carefully then develop and implement client-specific plans. The client's responsibility is to voice his or her concerns, wishes, questions, and goals, and work closely with the wealth manager to address them.

A CLOSING WORD

Among the many issues you face after a loved one dies, financial considerations are intimately tied to your physical and emotional well-being. Financial issues can retain strong emotional connections to your deceased loved one and to your shared dreams. As the intensity of your grief subsides over time, your life will regain a degree of normalcy and balance. You will move on into a new, brighter phase of your life. Working with a wealth manager can bridge this very troubling time in your life, leading to a better future.

Surviving the loss of a loved one can be one of the most difficult and emotionally devastating experiences of a lifetime. You suffer not only grief and loss, but also confusion and fear for your security and that of your family. For some people, this experience is debilitating. For everyone who undergoes such loss, it is traumatic and disorienting. Nevertheless, as with any period of transition, surviving the death of a loved one requires skill and clear decision making to navigate the complex and far-reaching issues that arise. It can be comforting to know you do not have to do it all alone. There are experienced professionals whom you can trust to help you every step of the way.

About the Author

Ed Dower is the principal of American Eagle Wealth Advisors. He has more than twenty years of experience helping people clarify and achieve their financial goals. Before becoming a financial advisor, Ed spent four years as a pastor and twelve years as a high school teacher. In each of his careers, Ed has dedicated himself to becoming the best that he could be, earning a master's degree in divinity and a doctorate in education from Andrews University in Michigan.

Ed founded American Eagle based on his commitment to offering the highest level of service and quality. His firm is a registered investment advisor licensed through the California Departments of Corporations and Insurance. Ed is also a branch manager and financial advisor with Raymond James Financial Services Inc., a member of FINRA with which he holds several industry licenses. His pursuit of excellence regularly takes him to regional and national conferences and seminars to learn the latest trends in wealth management from some of our nation's leading authorities.

About American Eagle Wealth Advisors

American Eagle Wealth Advisors is a family-run firm with worldwide resources that has been in business for more than twenty years. Ed Dower is the founder and principal of the firm, and Donna Dower is the operations manager. Before working at American Eagle, Donna was a registered nurse for twenty-five years and managed several doctors' offices. She developed a keen sense of compassion and sensitivity during her nursing years, as well as a rigorous dedication to organization and attention to detail. With this combined experience, the company strives to bring relief from financial concerns to families who are facing life's biggest challenges. They work with clients who have recently lost a loved one or who have just received a life-changing diagnosis, and help to put all aspects of their financial house in order so that clients may devote their time and efforts to the things they care about most. American Eagle is often introduced to its clients during a time of special need, but typically continues to provide comprehensive financial services for as long as their expertise is needed and valuable.

Ed lives with his wife and partner Donna in Gold River, CA where they have resided since 1988.

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Ed and Donna's Personal Story

Along with their vast experience in financial matters, Ed and Donna's tragic personal loss helps them relate to their clients. On October 23, 1987, Ed and Donna were informed by a young police officer that their eighteen-year-old daughter had just been killed in a car accident. From her death, they have gained a new understanding of grief and the process that occurs when there is a crisis in one's life. They understand that as a survivor works to rebuild his or her life, it is incredibly hard to concentrate on simple though essential tasks, and even harder to simply work for more than a few minutes at a time. Just as friends were there for them, Ed and Donna reach out to their clients and try to help them through the hardest of times.

A Survivor's Financial Checklist

FOR TRUSTEES, EXECUTORS, AND FAMILY MEMBERS

By

EDWARD L. DOWER

This financial checklist is intended to provide general guidelines for trustees, executors, and family members. It is in no way meant to be a legal recommendation. **Since each estate is unique, your own legal and accounting professionals should guide you through the overall process.** If you are a trustee, the estate planning documents will give you immediate access to funds (possibly needed for funeral and other expenses related to the death of the individual). If you are a named executor, you will have to wait for court appointment for access to funds, but you should be able to retrieve the individual's original will from his or her safe-deposit box. If you have chosen a wealth advisor who specializes in working with bereaved families, he or she will help you coordinate this whole process.

WITHIN THE FIRST FEW DAYS

At the immediate time of death there is nothing that needs to happen from a legal standpoint. You can spend your time dealing with the doctors, funeral home, and immediate family members. Get yourself through this time and process. After that, your next steps will be to:

1. ____ Locate any health-care powers of attorney, advanced health-care directives, funeral and burial instructions, etc., and review them for possible instructions about preparation of the body and funeral arrangements.

2. ____ Locate any papers relating to prearranged funeral services or pre-purchased burial plots.

3. ____ If your loved one has served in the U.S. military, check the web site www.usmilitary.about.com and search for information on military honors available at burial, such as acquiring a U.S. flag and having a military representative present.

4. ____ Check with the decedent's banks to see if they have any safe-deposit boxes.

5. ____ Locate the original copy of the will or trust, if there is one.

6. ____ Locate all the legal and financial documents, that pertain to the deceased person's assets, such as deeds, vehicle titles, stocks, bonds, and insurance policies.

7. ____ Locate and secure important personal documents such as driver's license, Social Security card, passport, birth certificate, divorce decree, legal separation agreement, marriage license, military separation papers, citizenship documents, and retirement documents.

8. ____ Maintain a detailed list of all expenses relating to the final care and/or death of the decedent. You will probably be able to obtain reimbursement for these expenses from the decedent's estate or trust, and certain of these expenses will be deductible for estate tax or income tax purposes.

9. ____ Contact the deceased person's wealth manager, CPA, and estate planning attorney. They each need to know about the death and will each have a role in helping you. The attorney will prepare any documents necessary to confirm the authority of the successor trustee of the trust. This will give the trustee access to assets within the trust to cover costs of the funeral and/or other related expenses.

10. ____ Request a minimum of five (5) death certificates from the funeral home. Most life insurance policies and related assets require an original certificate with the claim form.

WITHIN THE FOLLOWING WEEK

1. ____ Contact the insurance agent or agency handling each life insurance policy and request death benefit claim forms.

2. ____ Notify all other insurance carriers, i.e., health, long-term care, umbrella, disability, accidental death, travel, vehicle, and homeowners or renters insurance.

3. ____ Obtain a list of all the beneficiaries of the insurance policies, and include their age, relationship to deceased, and their current address and phone number.

4. ____ Contact the deceased's current and past employers to see if any retirement plans or life insurance policies are in place, and request the necessary claim forms. Notify Workers' Compensation, if appropriate.

5. ____ Gather all the decedent's bills and expenses that are coming due, as well as bank and brokerage statements and last year's tax return.

6. ____ Locate and organize notes regarding assets and liabilities, such as promissory notes, loans, business interests, patents, and royalties.

7. ____ Check with banks and credit card companies to see if there was additional life insurance connected with the decedent's accounts.

8. ____ Contact all financial institutions that hold any assets of the deceased. Tell them you need the date of death values on each asset in each account. Ask them to send you a copy of this information. Note the name of the individuals assisting you.

9. ____ Locate and secure any items mentioned in a governing document, will, trust or documents of title.

WHEN YOU HAVE RECEIVED THE DEATH CERTIFICATES

1. ____ Process life insurance claims.

2. ____ Apply for Social Security benefits at 1-800-772-1213 (and/or the Veteran's Office at 1-916-731-7300, if applicable) and inform them of the death of the individual. Otherwise, you will be required to pay back any monies that are overpaid to the decedent. Many times the funeral home will have notified Social Security; confirm this with them.

3. ____ Close credit card accounts and destroy credit cards.

4. ____ Notify banks and brokerage firms and remove the deceased's name from any joint accounts.

5. ____ Meet with the deceased's wealth manager, or yours as appropriate, to develop a long-term investment plan for the estate assets, including any life insurance benefits to be received.

WITHIN THE NEXT FEW WEEKS AFTER DEATH

Gather the legal documents (deeds, promissory notes, deeds of trust, loan or real estate documents), estate planning documents (such as wills and trusts), all current and/or past due bills, statements, claim forms, etc., and set up an initial meeting with the wealth manager, CPA, and the estate planning attorney to identify what needs to be done and to coordinate who will do it.

Some of the tasks that will need to be addressed with the help of your wealth advisor, attorney or CPA include the following:

- Lodge the original will with the court in the county of the deceased's domicile (legal residence).
- Determine whether a petition for probate of the will must be filed.
- Begin to prepare for filing the estate tax return (Form 706). Some of the forms and documents you have been collecting will be needed by your CPA or attorney to document date of death calculations for that return.
- Understand and process any legal documents and/or forms that you have received.
- Fund the trusts (if applicable) and make distributions to any beneficiaries.
- Make IRA and pension plan election decisions.

Several of the items listed above are quite technical, and obtaining the appropriate professional guidance can have a significant impact on your financial future. We urge you to seek qualified professional advice as you address these issues.

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