

Managing Finances Through the Loss of a Loved One



Knowing the steps to take can help make the grieving process less stressful.

When a loved one dies, coping with the loss is one of the most difficult things you'll face. On top of the emotional strain, you also must plan a funeral, tend to final wishes, and settle important financial issues. The average funeral can cost over \$7,000. If an individual has not made arrangements ahead of time, their death can be both financially and emotionally burdensome for the surviving family.

How prepared is your family?

Preparation for end-of-life arrangements can be costly, time consuming, and confusing when made in a hurry after a loved one has died. Here are some facts:

- ◆ Fewer than 40% of Americans have enough money saved to cover an unexpected cost of \$1,000.
- ◆ Unfortunately, fewer than half of all American adults have a written will describing how they would like their money and estate handled after their death.
- ◆ Most financial experts recommend that you have somewhere between 3 months and 6 months of basic living expenses in your emergency fund, depending on your employment situation.

Before you begin

When a loved one has died, it is easy to feel overwhelmed. You will likely experience a range of emotions, and you'll also be faced with making decisions. It is important not to rush the decision-making process.

Take a moment:

- ❖ Do not make major changes to investments or other financial decisions until you are emotionally ready to do so. Making such decisions while your emotions are still raw can lead to unintended consequences. Experts recommend waiting six months before making major decisions such as whether to cash out investments or sell property the decedent, the person who passed away, left behind.

Do your research:

- ❖ Make sure that you are aware of all the resources available to help you. There are free financial resources such as [funeral planning checklists](#) or [worksheets](#). There may also be documents from your state's Office of the Register of Wills or the local probate court to help you navigate local laws.

Get organized:

- ❖ If you're struggling to get started, start with an easy task. Begin by gathering all of the records that you will need. There are many [resources](#) online to help guide you through this process. Items to gather include the decedent's:
 - social Security Number
 - state-issued driver's license or identification
 - marriage license
 - written will, if one exists

Gather financial documents:

- ❖ In addition to personal identification documents and a written will, you will need to gather as many financial documents as you can. Financial documents will include the decedent's:
 - car and/or boat/RV titles
 - deeds for their home
 - investment portfolios
 - bank information
 - retirement information

Get copies of the death certificate:

❖ While it may seem like a lot, experts suggest getting between 10 to 20 copies of the death certificate in order to close out all of the decedent person's affairs, most will require a certified copy. You will need to give a death certificate to institutions such as:

- their credit union or bank
- any investment companies
- 401(k) retirement plan holders
- insurance companies

Set up your files:

❖ Consider purchasing an expanding file folder or a binder with sheet protectors where you can store all the documents related to the passing of your loved one. Keeping everything organized and protected in one place will reduce your stress as you navigate the sometimes complex requirements of each process.

First Financial Steps

While most financial decisions can be put off until you're feeling a little less emotionally raw, some actions will need to be taken immediately. These steps are important, so that you will be able to receive any insurance benefits and meet all government requirements.

Survivor benefits:

➤ If you have lost your spouse, you will need to find out what, if any, survivor benefits you are entitled to. These usually include continuations of pay from pensions or Social Security benefits.

Will and estate:

➤ If one exists, locate the will, and contact the executor. It will be important to know who the decedent intended to receive which belongings. If minor children are involved, contacting a lawyer to represent their interest may be needed.

Notify employer and insurance:

➤ Notifying the employer or insurance company may assist you in receiving survivor benefits from any retirement funds or life insurance policies. It will also be an important step in wrapping up the financial affairs of the decedent.

Property titles:

➤ To ensure that property is correctly transferred to you, if you're a surviving spouse, you may need an affidavit of survivorship (name may vary by location). This is a legal document used to remove a deceased owner from the title of a property. It states that you are now the sole owner (or that you jointly own the property with another party).

Change titles on all accounts:

- As the surviving spouse, you will need to contact all financial institutions and investment firms in order to remove your spouse's name from all accounts and ensure that they are now in your name. This will ensure that you have access to all entitled funds.

Credit bureaus:

- You will need to send a letter to each of the three major credit bureaus – Experian, Equifax, and TransUnion – in order to freeze their credit and minimize the risk of identity theft. This will reduce the risk that any of their assets are lost due to fraud.

Notify the IRS:

- Either you or a representative you hire will need to file the final tax return for the deceased. The [IRS](#) has tools to help guide you through the process and to avoid the risk of identity theft.

Preparing for Final Expenses

When someone dies, a number of financial concerns need to be dealt with. The complexity of these tasks will depend on how many assets the person owned, including properties, investments, and businesses, in addition to how many heirs they have.

Executor's role:

- The executor is the person responsible for overseeing the process of settling the estate.
- The executor's primary job is to ensure that all outstanding debts and taxes are paid off and the inheritances are properly distributed. The executor may be a close family member or associate. It is often advisable for the executor to seek the advice of an attorney who specializes in estates to help with details.

Funeral plans:

- Laying a loved one to rest can be a simple family affair or a costly event
- Funerals can be a time to bond with family and friends as you recall fond memories and say goodbye. They can also involve burdensome expenses, depending on the type of embalming, burial, or cremation involved. For many funerals, there will be an officiant who leads a memorial service, various readings, a eulogy, and musical selections. If your loved one will be buried in a casket, pallbearers will be assigned to carry the casket to the grave. Individuals will need to be identified for each of these roles. If a meal is to be shared, arrangements such as catering, or a potluck will need to be arranged.

Settle the estate:

- Make sure all outstanding debts are paid and that all accounts are formally closed out.

- In order to settle the estate, all open accounts – everything from bank accounts to utilities – must be closed or assigned to a surviving spouse or heir. Any property the decedent owned with another person must be signed over to the co-owner. Any property they owned solely must be assigned to an heir. Any debts the decedent had must be settled before money is distributed to heirs. Secured debts, such as mortgages or car loans, must be paid off or the property will be repossessed or foreclosed.

Final tax return:

- This will be one of the last steps in closing out a decedent's estate.
- In order to file the final tax return for a deceased person, you may file either a paper or electronic Form 1040. You will need to indicate that the person is deceased by writing "Deceased," followed by the individual's name, or by selecting "deceased" at the appropriate point in the software. If tax is owed, it will need to be paid from the decedent's assets, including from shared accounts if there is a surviving spouse. If the individual is owed a return, those funds will go to the executor to distribute appropriately to any heirs.

The Role of the Executor

As the executor of an estate, you will be legally responsible for making final arrangements regarding the deceased individual's property, debts, and assets. If the decedent's assets are not handled according to the law, there could be criminal charges. However, there are many resources that can ensure you meet all the requirements. **Determine if a probate lawyer is needed based on your state laws. If no lawyer is needed, you must:**



File a petition with the probate court, requesting that the written will be probated.



Identify all assets (cash, investments, or property) and debts, including taxes owed.



Apply for an Employer Identification Number (EIN) from the IRS to identify the deceased's accounts during the account transfer and estate settlement process.



Pay all debts and taxes



Distribute assets to the heirs as described in the written will or identified as next of kin.

Closing Out Debts

The executor of an estate is responsible for paying off all outstanding debts from the remaining assets. Medical debt is one type of debt that will need to be paid off. If the estate cannot pay off medical debt, the surviving spouse may become responsible for it, depending on state laws.

Health insurance expert:

- ✓ Contact the health insurance company covering the decedent's medical care. You will need to determine how long any dependents will be covered after the death of the covered individual. You will also want to make sure that all medical procedures prior to death are correctly covered.

Negotiate the bill:

- ✓ If the bill exceeds the value of the estate, try to negotiate a lower amount. Most creditors will be willing to accept a lower amount paid, rather than have the full amount defaulted. You may also be able to arrange a payment plan that is easier than paying the total off in one sum.

Avoid collections:

- ✓ If a deceased person's debts go into collections, it can add stress for the surviving spouse or other family members, who may feel harassed by repeated mailings or phone calls. Addressing the bills, negotiating balances, and arranging payment plans can help to avoid this.

Other Remaining Debt

In most cases, the executor does not become responsible for outstanding debt, unless they were cosigners of the debt, as in a mortgage held by both people in a marriage.

Close accounts:

- ◆ For all single-held accounts, notify the creditors that the account holder is deceased. They will notify you if there is any debt or if remaining funds are available to be distributed to the heirs.

Publish probate notice:

- ◆ Publishing a notice of probate, usually in a major local newspaper, to run for a period determined by local law, will allow any potential creditors to make a claim on the estate.

Creating a Written Will

Once you are aware of how many details there are to be handled after a death, you may wish to make arrangements so that your loved ones don't have to go through so much red tape upon your death.

Signing a written will:

- * The first step to take is to write a will. There are many options for this ranging from simple, free online forms to hiring an attorney. What is best suited for your estate depends on its complexity and the number of potential beneficiaries you have.

Naming beneficiaries:

- * Beneficiaries are surviving family, friends, or business associates who will inherit your assets after you die. Without specifically named beneficiaries, who receive your assets will depend on local law. In most places, assets will be distributed among any surviving spouse and children, if any exist,

Write a letter:

- * You may wish to send your last messages of love to your family and friends, but a written will is not the appropriate place for that. Writing a letter to be read upon your death will help create a sense of closure. If there are items of sentimental value you wish to bequeath, you may list those in the letter, though a list is not as legally binding as an actual will.

Power of attorney

- * A durable power of attorney requires you appoint someone whom you trust deeply to make decisions for you and your estate once you are no longer able. This could be in the event of serious illness prior to death, when healthcare decisions must be made on your behalf. People who have large estates may wish to select an impartial party, such as a lawyer, so that their decisions are not influenced by potential inheritance.

Advance directive:

- * A living will, also called an advance directive, can ensure that your wishes are maintained when you are near death. You can spell out which medical treatments you do and do not consent to, and this directive must be followed by law. If you have appointed someone with power attorney, you will need to prepare a HIPAA release form, so they may communicate with your doctors regarding your treatment.

Register of Wills:

- * The Office of the Register of Wills in your area will have information and resources to help make sure that your final wishes are communicated in a legally binding way. That way, you can rest assured that everything will be taken care of.

Key Points

When a loved one dies, there are many things to keep in mind, but with a little planning, you can help to settle the affairs.

Immediate Needs:

- Assess your immediate financial needs and make sure the basics are covered while the estate is being settled.

Final wishes:

- Consider your loved one's wishes concerning their estate and be ready to communicate those wishes.

Whom to notify:

- Gather your important legal and financial information as soon as possible and notify creditors and the IRS.

Further questions:

- If you have further questions, reach out to your local Office of the Registrar of Wills for assistance or contact an attorney, if needed, for help with estate settlement and inheritance documents.

Next Steps

There are many responsibilities for either a surviving spouse or an executor of an estate.



It's important to plan ahead:

The best time to create a written will is well before there's a need. Determining how to handle an estate when emotions are high is stressful and can cause discord within a family. Talk with family members now about creating a written will.



Gather all the documents:

After a death, there is a lot of paperwork to attend to. Communicate frequently with an attorney if you feel one is needed, and be sure to consider resources that will help you follow the local laws.



Make a plan:

Whether planning your own written will or handling the estate of a loved one, organization is key in keeping this as stress-free as possible during an emotional time.

Organize and collect documentation

In order to get a solid understanding of your or your loved one's financial needs, the proper documentation must be collected and organized. Doing so will help you make the most accurate financial assessments and will assist the financial caregiver when they begin to support you or your loved one.

Review the details

Once you're organized, review the collected documentation.

Consult professionals as needed

If any questions remain after the review of the collected documentation, consult with the necessary professionals.