

“The Surviving Spouse”

Over the span of my financial planning career, I’ve created a few phrases that I frequently repeat to clients when we sit down to discuss their financial plan. One of those phrases is, “I don’t know who God is going to call home first.” The reason I say this is because it is important to create a financial plan that helps protect the surviving spouse because retirement savings needs to last for both the spouse and surviving spouse. However, for a couple age 65 today, there is a 50% chance that one of them will make it to age 92¹, and most will guess correctly, it is the woman who is most likely to live longer.

There are a number of issues women face financially in being a “surviving spouse”. Three common financial topics are Pensions, Social Security and taxes.

1. Pensions For the majority of clients that I meet with, if only one spouse has a pension, it is most often the husband. Nearly every time, I encourage the husband to take the pension with a 100% joint survivor option. That means, when he passes away, all of the money continues on for his wife.

I sometimes meet with a couple where the husband has taken

his pension over his single life, which means when he passes nothing continues for his wife. Another option I see is when the husband chooses a joint survivor option besides the 100% and the spouse will only receive 50-75% of the income. In both of these choices, the wife (surviving spouse) loses a whole stream of income or she takes a pay-cut which can be devastating for a widow. This can be a worry for women especially with the cost of living and healthcare constantly rising.

2. Social Security Most people are aware, that when one spouse predeceases the other, the surviving spouse gets to keep the larger social security check but loses the smaller one. As I stated previously, the surviving spouse is usually the wife. I’ve seen clients lose anywhere from \$5,000-\$24,000 a year when their spouse passes away just from losing the smaller social security check.

3. Taxes Given the current spending habits of our government, do you think taxes are going up or down long-term? My belief is that taxes will increase, and that is bad news for



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surviving spouses. If the surviving spouse needs to make up some of the lost income from Social Security, many times, one of the only options is to withdraw funds out of an IRA. This withdrawal increases the surviving spouse’s tax liability because an IRA is pretax money. This then leads to an increase in tax liability because a single tax return is now needed. We have even seen cases where a surviving spouse jumps to a higher tax bracket simply by taking funds from an IRA.

It takes some serious planning and strategizing to make up income for a surviving spouse and these are just some of the issue’s women face. If you are faced with any of these challenges, we would be happy to sit down with you and discuss strategies for the future. If you would like more information on why you need a financial planner who specializes in retirement planning check out an article I wrote for Kiplinger by going to conservativefinancialsolutions.com.

¹<https://pages.fidelityinvestments.com/protectyourretirement/>

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