

Surviving the Loss of a Loved One

One of the most trying experiences in a person's life is the loss of a loved one. During the grieving process, you may also feel stress associated with needing to make many important financial decisions. In order to feel secure, you need to know that your loved one's affairs will be properly managed. You will make many serious decisions, which may have a lasting impact on your financial situation.

One unpredictable aspect of sudden loss is that you never know how you will react to events until they actually occur. No one can ever be completely prepared to deal with personal trauma compounded by legal and financial concerns, but there *are* steps you can take to help you find your way through this difficult period. During this time, maintaining structure in your life is essential as you face increased responsibilities.

Estate Fundamentals

There are many aspects of handling the financial affairs of the deceased, and among the most important is settling his or her estate. Almost immediately, there will be matters requiring attention, such as the notification of family and friends, as well as funeral arrangements. Let your family, closest friends, and most trusted advisors help you with some of these details and short-term decisions, but proceed with caution regarding major financial decisions. It's best to contact an attorney to review the **will** and handle the legal aspects of your loved one's estate.

A will typically provides guidance for asset distributions and may also appoint an estate **executor**, as well as **guardians** for minor children. A **probate court** determines the validity of a will and ensures that it is faithfully executed according to your loved one's wishes. Certain property transfers occur outside a will, for example, contract assets such as retirement accounts, property in a **trust**, or jointly owned property. These assets will pass to the designated **beneficiaries**, avoiding probate.

Depending on the size of your loved one's estate, federal estate taxes may be due. Transfers to beneficiaries other than a spouse that exceed the **federal estate tax exemption** (\$2,000,000 in 2008) are subject to estate tax.* An unlimited amount may be transferred to a spouse free of federal estate tax. Qualified legal and tax professionals can offer specific guidance.

As you tie up loose ends, another important step will be to notify the appropriate insurance companies (life, home, auto, health etc.) of your loved one's death. Beneficiaries of **life insurance** policies will receive death benefits income tax free and, in the event of accidental death, a policy may provide additional benefits.

For **health insurance** purposes, if you were covered under your loved one's group employer plan, you will need to determine what your current and future benefits are. You may need to secure coverage through your own employer, purchase private insurance, or determine whether or not you, and perhaps your family, qualify for **COBRA** benefits. In certain instances, COBRA, which refers to the Consolidated Omnibus Reconciliation Act, provides for continued health

insurance coverage for those who meet certain requirements, such as former employees and their families.

Organization will help this difficult planning process go as smoothly as possible. Gather all documents regarding your loved one's assets, including property deeds, titles, insurance policies, and information for investment, savings, and retirement accounts. Financial and investment institutions often require a death certificate before they transfer assets to named beneficiaries. Other important items to find include a marriage license, birth certificate, and Social Security card. If you are eligible, you will need to file a claim to receive Social Security benefits.

Planning for the Future

During this transitional period, you may face competing demands on your financial resources. If your loved one was the primary breadwinner in your family, it may take some time to assess your financial situation. During the first few months, pay bills that need to be paid, but spend cautiously and pay attention to cash flow and liquidity.

As you take things one step at a time, certain deadlines (e.g., timely filing of tax returns) must be considered. Allow yourself to take things as slowly as you can. Your goal should be to develop a sense of command and control concerning financial matters. Align yourself with financial professionals who will have the patience to work with you at *your* pace—professionals who will help you gain the knowledge and confidence to take the necessary steps.

As you can see, the earlier you begin to educate yourself concerning financial matters, the better prepared you will be to withstand the impact of facing sudden loss. Your family's quality of life may depend on your financial skills and your willingness to take responsibility for significant financial decisions. With time and planning, things will begin to improve.

**Please note: The federal estate tax exemption will increase to \$3.5 million in 2009. Unless Congress passes further legislation, the federal estate tax will be repealed in 2010 and then reinstated in 2011 at rates in effect prior to the Economic Growth and Tax Relief Reconciliation Act of 2001.*

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