

Financial Psychology and Lifechanging Events

Suddenly Single

Loss of a spouse—whether through death or divorce—can be one of the most traumatic events you may face in your life. The possible rush of intense emotions surrounding this event may be the beginning of a long and painful transition time.



NATIONAL ENDOWMENT FOR
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Partnering for Financial Well-Being

Initial feelings of numbness and shock may be followed by other emotions—grief, anger, fear, or even a desire for revenge in the case of an acrimonious divorce. And while thinking about the practical details of your financial life may be one of the last things you want to do, there can be serious financial repercussions to your new circumstances that are very important to understand.

This booklet was written by the National Endowment for Financial Education® (NEFE®) to help you understand the financial implications of being newly single. By understanding some of the financial issues of this new situation and taking appropriate action, you can find ways to rebuild for the future.

FIRST STEPS *for Widows/Widowers*

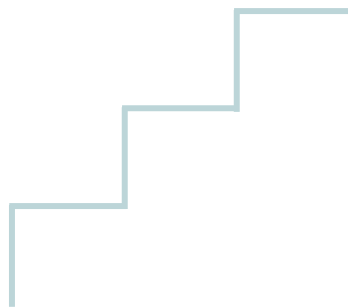
It's almost impossible to be emotionally or financially prepared for the death of a spouse. For couples who have taken the time to talk about contingencies after the death of one partner, the financial transition may be a little easier than for those who have not dealt with any of the practicalities surrounding the death of a spouse. Even when financial matters have been tended to, a broken heart may still hamper one's ability to deal with financial decisions.

There are very few decisions that must occur immediately following the death of your spouse. Many experts believe that the biggest mistake most people make is not going slowly enough through the maze of decisions that must be made. However, there are a few actions that should be taken immediately, as listed in "First Steps for the Newly Single" sidebar.



FIRST STEPS *for the Separated or Divorced*

Most people assume they are entering a life-time partnership when they get married. But the statistics show that 40 percent of all marriages end in divorce¹. While the emotional effects of this event can be devastating and unpredictable, managing the financial aspects of a separation or divorce is actually something you can control to a large extent. Your first steps are similar to the actions of those suffering from the death of their spouse and include the first four items listed in the sidebar "First Steps for the Newly Single."



First Steps for the Newly Single

While a person facing the death of a spouse may have different emotional responses than someone who is divorcing, the first steps from a financial perspective are similar. Widows or widowers should tend to all five actions listed below; divorced and separated individuals should act on the first four.

1. As much as possible, include trusted family, friends, and professionals in your support network to offer feedback; accompany you at meetings with financial advisors, attorneys, and other professionals; and help you follow up with the actions you need to take to protect your financial well-being.
2. Evaluate how much money you will need for the next six to 12 months and keep that money in an easily accessible account. Divorcing persons should open accounts in their own name. Money received from an estate should be saved separately—such as in a money market account or an insured certificate of deposit—until you are better prepared to make long-term investment decisions. Don't allow investment advisors to pressure you into making investment decisions now.
3. As much as possible, refrain from making any immediate decisions that involve major purchases or changes. Allow yourself some time to heal emotionally before rushing into major decisions.
4. Begin to organize your financial documents. (See sidebar “Documents You Need to Gather.”)
5. Widows or widowers need to probate the will. To probate the will, you must go to court and get an order allowing the executor to do what needs to be done to carry out the wishes of the deceased as expressed in his/her will. To “execute” on the will simply means that the executor has the authority to carry out the actions required to liquidate the estate, such as writing checks on the deceased's accounts, changing titles as necessary, notifying insurance companies of the death, etc.

ADDITIONAL ACTION ITEMS

for Widows/Widowers

Some people find it helpful to include trusted family, friends, and professionals when gathering information or materials. You may find it beneficial to ask someone to accompany you to take notes or provide emotional support as you tend to the following actions.

- Obtain at least 20 copies of your spouse's death certificate. It is usually easiest to request all the copies at once and keep them in a secure location to use as needed. Extra copies can be tucked away for future needs. You'll need to send this document to the Social Security Administration, credit card companies, your mortgage holder, and insurers to verify the death and either change the name on accounts or collect money that is due to you.
- When gathering professional advice, get sufficient information to enable you to make decisions that are right for you. Estate-planning attorneys, tax accountants, and financial advisors should have experience in helping widows and widowers deal with the particular circumstances of being newly single due to the death of a spouse. In addition to notes that you or a friend might take, ask these professionals to provide you with written summaries of meetings so that you can refer to these notes after your face-to-face meetings.
- Rename beneficiaries on all insurance policies, retirement accounts, and other accounts where your money is held.
- Update your will. In most states, the death of a spouse invalidates a previous will.
- Contact the Social Security Administration.
- Don't be pressured by others to make hasty financial decisions. A common mistake is to listen

to advice or investment tips from well-meaning family and friends. Allow yourself some time to heal emotionally from your loss and gain a better understanding of your financial picture before making major investment decisions. You may want to practice a response that you'll be comfortable with, such as "I appreciate your ideas and will take them into consideration when I'm ready to make those decisions."

- Recognize that you may be a target for some unscrupulous sales people. If an investment sounds too good to be true, it probably is!
- Pay your bills. Failure to pay your bills can result in even larger headaches—due to late payment fees, interest charges, and damage to your credit history.

Documents You Need to Gather

For some people, organizing financial records is a dreaded activity, while others find it therapeutic to pull things together. Most people will need to take time to locate and organize the many important documents that are necessary for understanding the financial picture of the newly single. Whether you have lost your spouse through death or through divorce, you will need to locate these documents so that you can determine how much money you have to plan for current and future expenses.

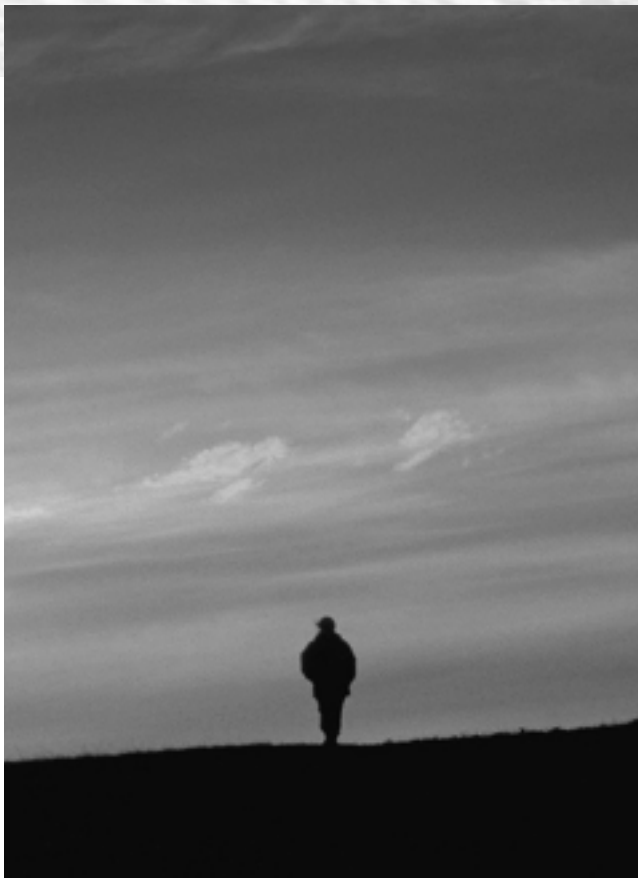
Records needed to assess your financial situation include:

- Checking account statements
- Savings account statements
- Credit card information (including names under which the cards are listed)
- Retirement account information and statements (IRAs, 401(k)s, Keogh, company pension plan, etc.)
- Employer stock option plans
- Mortgage payment record
- Deed to your home (or if renting, the lease agreement)
- Deeds to any other property
- Wills, living wills
- Powers of attorney
- Receipts for major purchases
- Warranties
- Car titles and registrations, with loan information or lease agreements

Widows and widowers usually are not faced with the same time pressure to gather this information as are couples undergoing separation or divorce proceedings. In separation or divorce situations, it is usually best to gather this information before one or the other partner physically leaves the marital home—potentially taking some of the information with them.

- Birth certificate
- Marriage certificate
- Copies of death certificate (if applicable)
- Tax returns
- Insurance policies (homeowner's, auto, health, life, disability, long-term care)
- Brokerage account statements
- Mutual fund account statements
- Business partnership agreements
- Prenuptial or postnuptial agreements
- Social Security records
- Safe deposit box information (location and key)
- Trust agreements
- Pay stubs, along with current beneficiary designations of life insurance and pension/IRA accounts.





ADDITIONAL ACTION ITEMS *for Those Facing Divorce*

When a marriage has ended, it is important to face the realities of your new situation and begin the task of separating your finances from those of your soon-to-be ex-spouse. In some cases, you may find it easier to deal with some of these activities if you ask a trusted friend, family member, or professional to accompany you as you tend to these actions.

- Engage a divorce attorney or mediator. If you are going to engage an attorney, it is important that you avoid using the same attorney as your spouse. You need someone with an objective viewpoint who can represent your best interests during the upcoming negotiations. You want someone who can accurately value your assets and who can work to get you the best possible settlement. It's also important that you find an attorney who specializes in matrimonial law.

In certain circumstances, you may be able to use a mediator. You and your spouse may want to hire a professional divorce mediator to help

you work out an acceptable agreement for both of you. This works best when both partners are agreeable or the divorce is amicable; or you have limited assets and debts and no children are involved. Remember that you will still want the final agreement to be reviewed by your divorce attorney. The agreement must also be filed in a local divorce court.

- Gather all the information you need to evaluate your assets. (See the sidebar “Documents You Need to Gather.”) Remember that, when getting a divorce, there is a greater urgency to collect this information in a timely manner—before important papers disappear along with your soon-to-be ex-spouse.
- Contact custodians of all your accounts by letter to prevent assets from being moved around. You no longer want money to be deducted from a savings account with only one signature or valuable stocks to be sold with only one approval.
- Educate yourself about applicable laws, especially as they relate to alimony, child support, and division of property. Although alimony is mostly awarded for a limited period of time, it can be especially important to a spouse who has never worked outside the home. The amount of your alimony will depend in part on how long you were married and the potential earning power of each partner. If children are involved, child support is usually awarded to the custodial parent. Payments usually last until the child is 18 years old.
- When discussing final settlement agreements, view money as a survival issue. Even though your emotions can be strong during divorce proceedings, try to be realistic about money as you assess your future needs and attempt to get the best settlement you can to address those needs.

HOW DO I FIND *Good Financial Advice?*

If you already have a trusted financial advisor, you will likely turn to that person for help through this period of transition. However, you may need to evaluate your current advisor's experience with divorce or spousal death situations. (The sidebar "What Questions Should I Ask When Looking for a Financial Advisor?" is a good place to start.)

If you don't have a financial advisor, you may want to find one to guide you. Two methods for finding qualified financial counselors are (1) asking trusted friends or professionals, such as lawyers and accountants, for references, and (2) getting references from professional associations, such as the Financial Planning Association, the National Association of Personal Financial Advisors, or the American Institute of Certified Public Accountants.

Even with a recommendation from a trusted personal friend or professional, you must do your homework. Interviewing the financial planner is the best way to learn answers to questions such as how the planner earns money (commission or fee-based) or what qualifications the planner has. You will also want to get references and check them out carefully.

You may want to ask a trusted friend or relative to accompany you when you interview financial advisors. That person can take notes and afterwards help you think about how you feel about the advisor's ability to help you. Does the financial advisor feel approachable? Do you feel informed? Did the financial advisor answer your questions satisfactorily? Did you feel intimidated when you asked questions? Do you feel like you would be comfortable calling this person and asking advice? Remember, this person is going to be working for you so it's important that you feel comfortable and secure with whomever you choose.



TAKING CONTROL *of Your Future*

Whether dealing with death or divorce, one common task is to rebuild your financial life. While money cannot heal a broken heart, it's important for you as a suddenly single adult to take stock of your financial situation, get expert advice, forestall most major decisions for a period of time, and gradually learn to ensure that you have control of your finances and your life.

What Questions Should I Ask When Looking for A Financial Advisor?

- Can you describe your typical client?
- Do you specialize in types of clients, level of income, or types of services?
- Do you prepare written plans? How extensive are they?
- What would be the general approach you would take to address my particular needs?
- Have you ever been disciplined by a regulatory agency?
- What do you expect from me in our relationship?
- How are you paid? (Commissions? Fee-based? Combination?)

RESOURCES

Books and Pamphlets

Armstrong, Alexandra, CFP, CMFC, and Donahue, Mary R. *On Your Own: A Widow's Passage to Emotional & Financial Well-Being*. Dearborn, Chicago, 2000.

Hannon, Kerry. *Suddenly Single: Money Skills for Divorcees and Widows*. John Wiley & Sons, Inc., NY, 1998.

"When and How to Choose a Financial Planner." National Endowment for Financial Education, Denver, CO, 1997.

Organizations and Web Sites

The American Academy of Matrimonial Lawyers.
150 N. Michigan Avenue, Suite 2040, Chicago, IL 60601,
(312) 263-6477; www.aaml.org.

American College of Trust and Estate Counsel. 3415 South Sepulveda Boulevard, Suite 330, Los Angeles, CA 90034,
(310) 398-1888; www.aicpa.org.

The American Institute of Certified Public Accountants.
1211 Avenue of the Americas, New York, NY 10036,
(888) 999-9256; www.aicpa.org.

The Association of Divorce Financial Planners.
www.divorceandfinance.com.

Financial Planning Association. Offices in Atlanta, Denver, and Washington D.C. provide names of members based on location, (800) 282-7526; www.fpanet.org.

The Grief Recovery Institute Educational Foundation, Inc.
P.O. Box 6061-382, Sherman Oaks, CA 91413, (818) 907-9600;
www.grief-recovery.com.

The National Association of Personal Financial Advisors.
355 West Dundee Road., Suite 200, Buffalo Grove, IL 60089,
(888) 333-6659; www.napfa.org.

National Council on Family Relations. 3989 Central Avenue NE, #550, Minneapolis, MN 55421, (888) 781-9331;
www.ncfr.org.

National Endowment for Financial Education. 5299 DTC Boulevard, Suite 1300, Greenwood Village, CO 80111,
(303) 741-6333; www.nefe.org.



¹ *Suddenly Single: Money Skills for Divorcees and Widows*, Kerry Hannon, John Wiley & Sons, Inc., NY: 1998, p. 32.

In October 2001, the National Endowment for Financial Education® (NEFE®), a nonprofit organization headquartered near Denver, Colorado, held a think tank on the topic “Financial Psychology and Lifechanging Events” to explore the interplay of psychological and financial transitions that individuals are likely to experience when major life events occur. Keynote speaker and facilitator, Kathleen Gurney, Ph.D., CEO of Financial Psychology Corporation in Sonoma, California, led the participants to discover that major lifechanging events transform a person’s identity as a new sense of self, social, and financial realities emerge. A groundbreaking forum, it was the first time that practitioners from fields of financial planning and psychology joined with allied professionals to identify and understand common financial and psychological implications that affect people experiencing various life-changing situations including job loss, becoming suddenly single, remarriage, and

financial windfall. Participants explored how psychological, emotional, and behavioral reactions can affect one’s ability to make sound financial decisions. Working in multidisciplinary teams, the think tank participants contributed their expertise and experience to help NEFE develop a series of brochures, including this one, to help Americans deal with the financial and psychological issues associated with these events.

The National Endowment for Financial Education® (NEFE®) is a nonprofit foundation dedicated to the mission of helping individual Americans acquire the information and gain the skills necessary to take control of their financial destiny. NEFE accomplishes its mission primarily by forming partnerships with other concerned organizations, focusing its efforts on individuals whose basic financial education needs are not being addressed by financial advisors, consumer organizations, or the media.

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- Kathleen Gurney, Ph.D. CEO of Financial Psychology Corporation in Sonoma, CA, keynote speaker and facilitator of the think tank.
- Mary R. Donahue, Ph.D. Psychologist, Rockville, MD.
- Kerry Hannon. Freelance writer and author of *Suddenly Single: Money Skills for Divorcees and Widows*, Washington, D.C.
- Eleanore Szymanski, CFP. Fee-Only Financial Planner and Principal, EKS Associates, LLC, Princeton, NJ.
- Robert P. Wildau, A.B., J.D. Principal, NewSouth Mediation Services, Atlanta, GA.

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NEFE acknowledges and thanks the American Association of Family and Consumer Sciences, for its assistance in distributing this brochure.



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Note: The content areas in this material are believed to be current as of this printing, but, over time, legislative and regulatory changes as well as new developments, may date this material. This guide is meant to provide general financial information; it is not meant to substitute for, or to supersede, professional or legal advice.