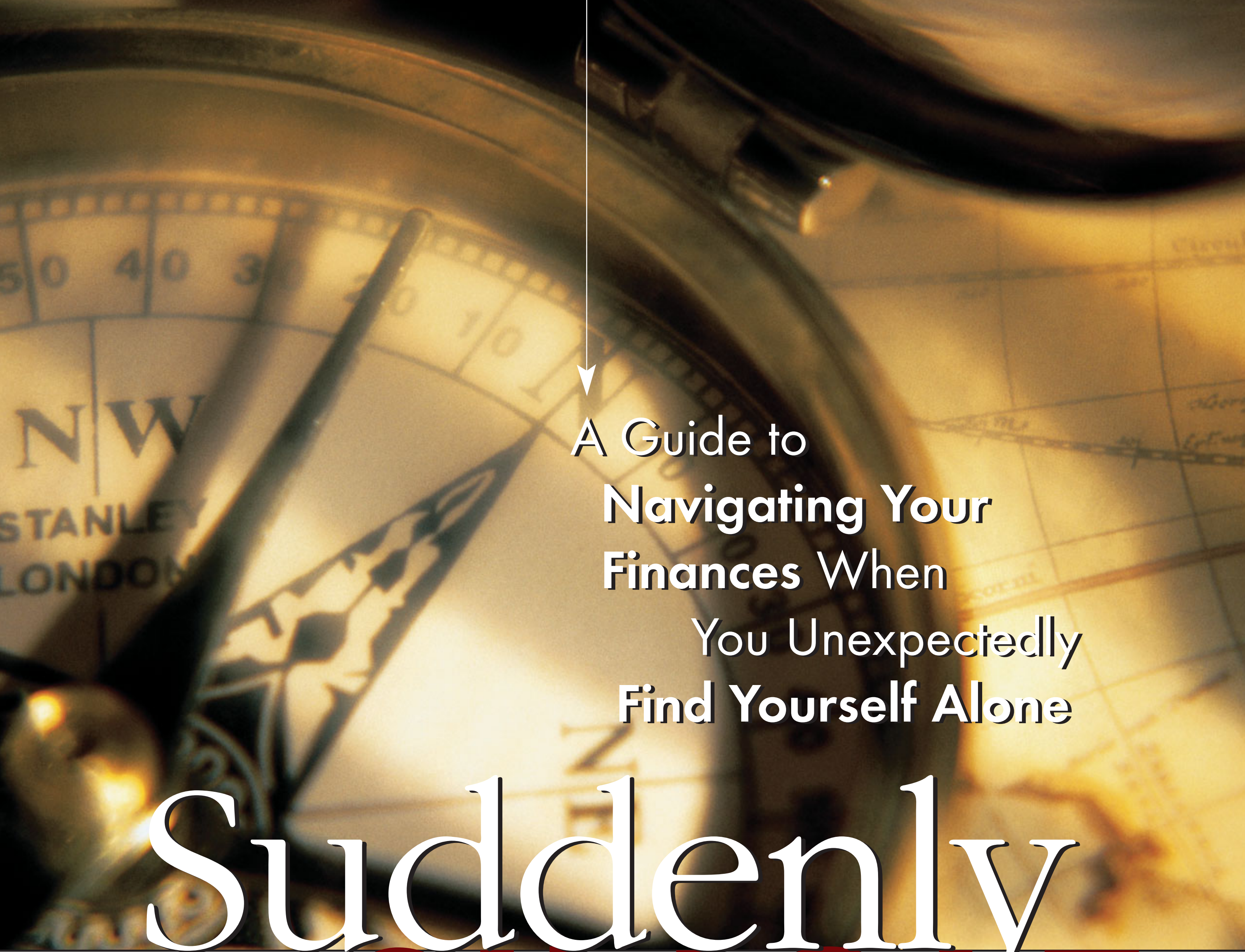

A Guide to **Navigating Your Finances** When You Unexpectedly **Find Yourself Alone**

Suddenly SINGLE

WHEN SHE WAS 47 YEARS OLD, PAT NOWAK'S LIFE changed forever. Her husband was crossing the street on his way to work in Toledo, Ohio, when an uninsured motorist hit him. He died instantly. Eighteen days later, the dream house he'd built for his family caught fire and burned to the ground. Suddenly, unexpectedly, Nowak had neither a husband nor a home.

Now 59, Nowak, author of *The ABC's of Widowhood*, learned quickly and abruptly that loss doesn't only break your heart; often, it breaks the bank, too. When her husband died, he was underinsured and left her thousands of dollars in debt. They had little savings and no estate plan. "It was evident that I would be out of money within two years," Nowak says. "You might be wealthy at the moment, but [the reality] is that it may not last."

Expect the Unexpected

Most people assume when they get married that it's for life. The reality, however, is that marriages end, sometimes by choice and often by surprise. In the United States, approximately half of all marriages eventually end in divorce, and about 800,000 people are widowed every year.

Ideally, you and your spouse will have created a family financial plan you can rely on in case of death, divorce or incapacity.

There are dozens — if not hundreds — of financial decisions to make after a divorce or the death of your spouse. But you shouldn't make them right away if you don't have to. "If one has the time to deal with the shock and emotional trauma of loss, it is advisable to focus on feelings before finances," says Kathleen Gurney, Ph.D., CEO of Financial Psychology, a Sarasota, Fla.-based consulting company. "I have found many spouses who experienced great remorse when they sold a home too quickly or changed an investment portfolio without giving it the proper reflection."

Ideally, you and your spouse will have created a family financial plan you can rely on in case of death, divorce or incapacity, says Preston C. Came, wealth strategist for Northern Trust. A family plan can "create a financial dialogue that focuses not only on the type and location of assets, but also on who can serve as trusted advisors and what their role should be." Came also stresses that both spouses should have a relationship with their advisors. "The relationship needs to be present so your advisors are more than a name to call in case of an emergency."

Of course, planning for loss isn't always an option. Sometimes, you must respond to it instead. And while it is generally better to avoid making hasty financial decisions when you're also dealing with the emotional upheaval caused by death or divorce, there are several things on which you should immediately focus.

Start by contacting your advisors. If you don't feel comfortable working with your current banker, accountant and attorney — perhaps because their relationships have been with your spouse — assemble a team of your own. "You need a clear-thinking, objective, rational expert to take you by the hand" and help manage existing debt, budget for the future and minimize your tax burden, says Tracy Stewart, a College Station, Texas-based CPA. Stewart also suggests coordinating and planning together as a team.

If your spouse has died, you will need to meet with the executor of his or her estate to ensure your immediate financial needs will be met. This is especially important if your spouse was the sole wage earner. The executor and your advisors can help you deal with many of the necessary immediate steps following the death of a spouse.

If you have children younger than 18 or if you are older than 60, you also need to notify the Social Security Administration to begin taking advantage of survivor benefits to which you may be entitled.

If your spouse has died and you are not working, you will want to ask your spouse's employer about continuing health insurance coverage for yourself and any dependent children. Under COBRA, you should be able to continue coverage for 36 months after your spouse's death by paying the premiums yourself. However, if you are too young to qualify for Medicare, you will need to arrange for your own coverage after that.

One issue often overlooked is credit. Make sure you obtain a copy of individual credit reports for you and your spouse; then take care to cancel joint accounts and open individual ones. This will help protect your credit rating.

Pay Attention to the Details

In the wake of a loss, many people overlook the myriad details that require attention. While these details don't require your immediate attention, it is better to address them quickly so they aren't forgotten.

One often-overlooked necessity is updating the beneficiary designations on your insurance policies, retirement plans and other accounts. "Every type of financial account can have a beneficiary designation, and you really need to audit it to find out what the impact is," says Ted Kurlowicz, professor of estate planning at the American College in Bryn Mawr, Pa. Also update your will and estate plan to reflect your new status, or create one if you don't already have one.

Life insurance is another necessity. If you have young children, you may want to consider purchasing a policy on your life, or increasing your existing coverage, to protect them financially if something were to happen to you. Kurlowicz recommends that you name a trust as beneficiary if your children are not yet ready to receive a lump sum.

Plan for the Future

After dealing with your immediate needs, cautions Gurney, take things slowly. Begin by building a support network of trusted family and friends to accompany you to meetings with your financial advisors and help you make financial choices. Came recommends moving at a deliberate pace. "Gather up all your important documents and organize them. This will not only help you become familiar with their contents, but also will make your time with advisors more efficient."

Once you've figured out what you have, begin to assess what you need. Came recommends tracking expenses for several months to a year to find out the cost of your current household. "You have to understand what you are spending to see how much you are going to need," he says, adding that after becoming single, most people should expect at least a small adjustment to their standard of living. "You're not going to benefit by getting the same amount of money that was coming in every month. You're going to get a percentage of it. So you've got to be more careful with your spending."

Learning to Cope

It's important to take care of yourself, too, Nowak stresses. When she lost her husband, she suffered from delayed stress syndrome, which left her physically ill for six months. "You may go from having a $500,000 house to having to move into a condo or apartment," she says. "You may lose your status among your peers. You're at a stage in your life where you're excited about the opportunity of having some perks, and then they're gone. That's very devastating, especially at a time when you're ill-equipped to handle it."

Losing a spouse is crushing. But the experience is even more devastating to your children, and you will need to help them deal with the loss as well. To help your children cope:

- **Communicate openly.** Discuss loss and the resulting emotions openly with your children, suggests Gurney. "Children are sensitive to the differences in behavior," she says, "and, depending on their age, can understand a parent's feelings of being a bit stressed or needing more time to take care of important matters."
- **Comfort thoroughly.** Children need special attention in difficult times. "They should be reassured that they are loved and that loss is a natural part of life," Gurney says. She adds that you should try to help your children understand the situation without making them feel responsible for it.

Nowak's advice for coping: Take a walk every day. "Walking is wonderful for stress," she says. "Usually if you take a nice 20- to 30-minute walk, a lot of your problems can work through your brain." ■

Photography by Shaun Egan/ Getty Images

Put a Plan in Place and Prepare for Tomorrow Today

Many people avoid creating a financial plan around the possibility of losing a spouse because they feel it's disloyal or morbid. But divorce and death do happen, and the best strategy for dealing with loss is to have a plan in place before you ever need it.

First, educate yourself, says Preston C. Came, a wealth strategist for Northern Trust. Too often, one spouse handles the family's finances, while the other is unfamiliar with them. "The best advice is to create a family financial plan," Came says. Familiarize yourself with your property, including insurance, bank accounts, investments and real estate.

It's also important to develop a personal credit history, particularly if you're not the breadwinning spouse. Apply for a credit card to establish credit in your name.

Ted Kurlowicz, professor of estate planning at the American College in Bryn Mawr, Pa., recommends making sure you assess the appropriateness of joint ownership and "take the steps necessary to re-title your property" where individual ownership makes more sense.

Next, put in place some vital tools: Trusts are the most useful tool to protect assets in the event of a death, and prenuptial agreements provide protection in a divorce.

Make sure both spouses have adequate life insurance – especially if you have children – to help prevent a dramatic change in lifestyle while you're also dealing with the death of your spouse.

Understanding your finances and having a plan to ensure you'll be left with adequate resources is crucial. "Preplanning with enough built-in flexibility will usually prevent you from having to respond to things in disaster mode," Kurlowicz says.