Left Behind

Helping new widows and widowers directly after their spouses' deaths isn't easy, but it can be very gratifying. An advisor explains how he does it

BY FRANK PATZKE

DOES A PERSON EVER FACE MORE DIFFIcult decisions while less able to think clearly than when his or her spouse has just died?

Surviving spouses face a host of unremitting financial issues: locating policies and important papers, retitling assets, changing beneficiaries, and reallocating retirement funds. If the deceased was the spouse responsible for financial decision-making, the survivor's challenge becomes even more daunting. Survivors are often unaware of what policies and pre- or post-retirement funds exist, much less how to secure them.

Tracking down the needed data can be overwhelming, particularly when the survivor is confronted with the emotional trauma of dealing with a loved one's death. Even when the death is expected, few survivors are prepared for the scope of the paperwork, procedures, and decision-making that follows.

While survivors obviously need professional assistance, there is little incentive for financial advisors to tackle those labor-intensive tasks. Of course, there's no shortage of advisors willing to pick the low-hanging fruit: the allocation of portfolio assets. Rolling over or repositioning IRAs and other retirement accounts into investment products that can generate new commissions or fees can be a profitable activity. But beyond the lucrative investment work, who will volunteer to attend to the avalanche of time-consuming, grunt-work issues? Who will coordinate the efforts of the survivor's CPA, attorney, and other advisors to ensure they are working harmoniously and in the survivor's best interests? Who will ensure the financial landmines on the survivor's economic landscape are defused before they detonate?

While financial consultants may have the best credentials for dealing with the details, the temptation to cash in on portfolio reallocation and pay lip service to everything else is always present. Though the detail work may be tedious and unprofitable, proper disposition can have

Illustration: Victoria Kann

enormous tax and lifestyle implications for the survivor.

"John Made All the Financial Decisions"

In cases where the deceased—most often the husband—was solely responsible for financial decision-making, the survivor—most often the wife—faces a particularly difficult challenge. Not only might she have trouble finding the necessary paperwork, she might also be unaware of what she should be looking for.

To the uninitiated, sifting through the seemingly endless pile of paperwork can feel like an impossible task. Often, official-looking papers are inconsequential and an easily discarded scrap can have invaluable information. Imagine a distressed survivor, rummaging through a shoebox or file cabinet. Where are the insurance policies? Where is the paperwork from John's ex-employers with all the information about his corporate benefits, company stock options, and 401(k) holdings? Didn't he once say his parents had taken out an insurance policy on him when he was a child? Did he ever cash that in? What about the pension plan he had with that company that was later acquired by a foreign firm?

Even when the necessary paperwork is located, a contact at each organization must be identified, the needed information determined, the appropriate forms secured and filled out, then followed up, followed up, and followed up.

Addressing the investments may be a relatively simple or complex matter. Typically, they are adjusted in response to the needs of the survivor or to tax issues. For example, investments in the name of a deceased may receive advantageous tax treatment called stepped-up cost basis, eliminating capital gains. It's usually wise to record the value of these investments immediately so they can be tracked forward as the basis for future adjustments. Capturing accurate data after the occurrence of stock splits, spinoffs, and other events affecting the tax basis can be problematic. Then, too, investments that were appropriate for the married couple may no longer make sense for the survivor, who may now have an understandably different viewpoint regarding financial security and investment risk.

WHAT'S IN THE FILE BOX?

Although it's not cost-effective, in that we don't bill survivors for it, in our practice we tell survivors not to bother reading every little bill or document in their file box. Instead, we tell them if they see something with an account number or dollar sign on it, toss it in and we'll go through it, eliminating duplicates, putting aside what is unimportant or not time-sensitive, and segregating what is important.

In doing this, we've found money that survivors had no idea was available. We've found life insurance policies, annuities, and other assets from companies that typically do not send out statements.

Remember that for most people, knowledge of and documentation for many financial products acquired during a lifetime—such as company-provided or credit card life insurance policies and the like—can easily be forgotten or mislaid. Sometimes, the only proof of such coverage is a weathered, 25-year-old statement crumpled up inside a folder stuffed with memorabilia or other items of no financial consequence.

Getting the survivor to collect all the data is an important first step. We try to reassure her that she is not going to lose her home or have her assets seized if every little bill isn't paid immediately. Our goal is to help her avoid needless pressure, and the accompanying dissipation of energy and emotions. Bear in mind that while some survivors take comfort in sorting through all the papers, considering it a kind of salve for the emotional pain, that doesn't mean they will do a thorough job or know what to look for. I have found that the process of uncovering and dealing with all the attendant details and cleaning them up typically takes a year or more. Unfortunately, removing the deceased's name from an insurance policy can't be done with the snap of a finger. The correct forms must be obtained, properly prepared, and sent to the appropriate people. Despite your best efforts, some things will still go awry; count on it. That's why follow-up tracking is a must.

All this is an enormous burden to lift from the survivor. It's time-consuming, detail-oriented work, and would cost a considerable sum if managed by a CPA, attorney, or other professional. As financial advisors, we can afford to do it at a lower cost as a door-opener to a potential lifelong advisory relationship with the survivor.—*Frank Patzke*

Calm Reassurance

This is where rule-of-thumb formulas regarding income requirements and asset allocation must be tempered by the human factor. Survivors are likely to be under excruciating stress, even in cases when death was anticipated. It may be best to defer as many decisions as possible, particularly those of magnitude, until the survivor is able to make calm, considered choices. That may be several months or even further down the road.

The survivor's time and energy during these critical first few months are likely better spent getting through the attendant emotional and psychological trauma. This is where a compassionate financial advisor can be of great service, working behind the scenes, dealing with the myriad paperwork, collecting and sorting data, changing titles, addressing insurance issues, determining what funds are available, and so on. Many survivors still harbor fears that some government agency will impound their money unless they quickly empty their bank accounts or safety deposit box, or that they will lose their home if they miss a payment. They need to be reassured and given reliable information so they are not unnecessarily harried.

All this labor-intensive work may not appeal to a financial advisor with an investment-oriented practice, but since it must be done, who's better positioned to serve the needs of the survivor? It's an assignment most attorneys would neither relish nor be experienced in, and they are hardly a cost-efficient solution. Other candidates include CPAs, funeral directors, even clergy. These people may not be aware of all the relevant survivorship issues, and indeed, they probably don't want to.

Bankers may be the most willing alternative, but they are also probably the least qualified. Despite their failings, however, many bankers consider themselves ideal candidates. I recall once overhearing a teller giving a widow advice on how to retitle her home. It was frightening.

Based on their experience and knowledge, financial advisors thus have a unique opportunity to help surviving spouses. In addition to needing technical expertise, survivors have emotional and psychological needs during this period, and advisors must be supportive, comforting, and patient. The more empathy a financial advisor can extend during this difficult time, the easier the ultimate disposition of the details becomes. As with most acquired talents, experience can be a great teacher. While some issues must be addressed promptly, those that can be postponed until the survivor is thinking more clearly should be. In many cases, survivors feel pressured to make sweeping decisions quickly, fearing nonexistent repercussions if delayed. Advisors can sort through the issues and determine what must be done now and what can be deferred, alleviating survivors' needless anxiety.


Frank Patzke

Move Quickly

Ideally, the sorting and evaluation should be done as soon as possible following a death. I often tell the survivor not to worry about trying to decipher which papers are important. Unless the information is unusually well organized (and that's rarely the case), I suggest the survivor simply give me all the paperwork so my staff can sift through it. I can hear you groaning right now, but by assigning the task of sifting and sorting to my people, I know I will get an accurate overview, be able to identify priorities, and determine if there are any immediate problems. An issue that frequently enters the picture early on is long-term care. The impact of suddenly being on one's own can have a profound impact on the survivor's physical and psychological security. If the survivor's children are grown and no longer live at home, and she wants to remain in her home but not burden the children with the responsibility of keeping her there, long-term care can be a high priority.

Survivorship business is usually divided into those with whom you already have an established business relationship and those you receive as referrals from clients or other professionals. Communicating all this can be enough of a challenge if you already know the survivor; if it's someone you do not know, establishing trust, getting the necessary information, and conveying the importance of doing certain things as soon as possible will be even more difficult.

While attorneys, CPAs, funeral directors, and the clergy are not the best candidates for handling survivors' financial needs, they are often good referral sources.

Be on Your Guard

Remember, there is a host of people in the business who chase death notices and position themselves as "survivor specialists." Typically, their specialty is limited to a specific niche or based on the product they are selling. Once the deal is consummated, they move on, leaving the survivor to deal with the plethora of details on her own. It's unconscionable, but from personal experience I can tell you it happens with regularity.

Here's a slightly gruesome example. There happens to be a woman with the same name as my wife living in a nearby suburb of Chicago. By further coincidence, each has a sister with the same first name. Recently, the other woman's father, a local politician, passed away. A few days later, my wife received a solicitation from a company that laminates newspaper death notices, presumably so the survivor can send copies to family and friends. That's the kind of opportunism that should be avoided. The laminators were trying to make $25; imagine what goes on when big-money services are involved.

Advisors who wish to tap into the surviving-spouses market should not only be adept at financial planning, asset allocation, and various tax treatments. They should also be well-versed in which decisions must be made immediately and which can be deferred to a time when the survivor is better able to make calm, considered choices. Patience, sensitivity to the survivor's emotional and psychological condition, and a gentle demeanor during this period are as important as financial expertise.

This is a door-opener to a potential lifelong advisory relationship with the survivor. If you are like most in this business and enjoy helping people when they truly need professional assistance, this is a wonderful opportunity to do so. If you are like me and enjoy detective work, it can be a labor of love, the minutiae notwithstanding. In the end, you get to help someone in need, strengthen the relationship, and offer a vital service that few others can or wish to tackle. IA

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DOCUMENTS YOU'LL NEED

Below, in their order of importance, is a list of documents that should be located and analyzed for survivors.

- Wills or trusts
- Health insurance policies
- Most recent income tax return
- Name (and address if available) of employer and former employers
- Life insurance policies. If the policies themselves are not available, look instead for statements or bills, including employer, union, or association policies
- Social Security and/or Veterans Administration information
- Credit cards
- Bank and investment statements (especially IRAs and retirement plans), annuities
- Loans or mortgage information
- Titles to homes, autos, boats, etc.
- Insurance policies on homes, autos, boats
- Location of, and key to, any safe-deposit boxes