



Loss, Grief, and Financial Decisions

The loss of a spouse is a devastating event. In the initial months after this loss, the survivor may feel overwhelmed and disconnected. Making sure your clients have a preset plan to address financial matters can make a difficult time easier to manage.

Scenario: Your clients have been married for more than 30 years. Your guidance helped them make a good financial plan that would provide income and ease the transfer of assets when the first spouse passed. Everything should be set, right? But did you miss discussing a key factor that many couples forget?

The loss of a spouse can make managing even a straightforward plan challenging. As a financial professional, your focus is on your clients' financial matters. But you also can help by reminding your clients about the other factors that go with planning.

The passing of a life partner means a time of grief and emotional upheaval. This can bring about a period of poor focus, little energy, and poor decision-making.¹ This factor almost caused a client to sell her home and move in with her oldest son—and the daughter-in-law that made her crazy!

Here are four ways clients can financially prepare for the loss of a spouse.

1. Plan for a quiet financial period. While you may not be the best person to help clients process their grief, you can suggest that they plan for a quiet financial period after a spouse passes. This is a time when no major financial decisions or changes are made. For most surviving spouses, six months is a good target.¹ While some transactions, such as filing a death claim for insurance or retitling assets will occur, other significant financial transactions are put on hold. The goal is to relieve the client of making life-altering financial decisions during the initial period of grief. It also highlights the need to have an easy-to-manage income plan in place.

2. Organize documents. Encourage your clients to have all information needed in an easily accessible place. Many financial software programs, such as eMoney and MoneyGuidePro, allow clients to upload documents so they can be accessed as needed. If a client elects to stay with paper, a safe deposit box or fireproof file holder is a workable option. Remember that any digital information will require a password, so ensure there's a list in a secure location. Don't forget social media accounts! Facebook, and many others, will allow the account holder to name a successor, allowing access to the account after the holder passes.

3. Simplify income. An income plan that provides enough guaranteed income to cover essential expenses helps reduce stress during a difficult time. If it matters to your client's lifestyle, have a strategy in place for replacing any lost Social Security retirement or pension benefits. If the client feels that replacement funds are not necessary, delay deployment of income until—or if—needed. A specific asset, like a nonqualified deferred annuity, allows the spouse flexible options upon the owner's passing. This includes spousal continuation of the policy or the lifetime stretch option. These options are contingent upon proper structuring and timely death benefit claims.

4. Plan for single tax rate and thresholds. Your client will file a joint tax return for the current year. Unless the client has a significant drop in income, the next return may be a shock. As the client will file as single, income thresholds are much lower. The same income that netted a low tax bill for two can mean a high tax bill for one.

¹Moving Forward on Your Own, Kathleen M. Rehl, PhD, CFP®.

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Key areas to consider:

- Tax-favored income options—Roth IRA funds, nonqualified immediate annuities, and similar options can help the surviving spouse manage taxes. Tax rates are still relatively low and make current Roth conversions a possibility for some couples.
- Thresholds—Social Security retirement benefits income taxation, Medicare’s income-related monthly adjustment amount (IRMAA), and, through 2028, the new Senior Deduction all may be affected by your client’s single status. IRMAA may mean a higher Medicare premium. The Senior Deduction is only \$6,000 for one person—and may phase out entirely! A deferral for some invested assets may be worth considering. Careful planning can reduce the tax effect on the surviving spouse, giving him or her more spendable income.
- Estimated taxes—Most retirees file estimated taxes on a quarterly basis. Another surprise for your client may be higher—perhaps much higher—quarterly payments due. This may require higher cash-on-hand requirements. It can be helpful for the client (and for you) to work with a CPA to assure proper payments.

ACTIONS YOU CAN TAKE RIGHT NOW

- Identify couples near or in retirement.
- Review the current plan in place for the first spouse passing.
- Evaluate possible changes, including whether or not deferral may be beneficial.

Married clients should plan not only for two to retire—but also for one.

A careful evaluation of strategies can mean a less stressful time and a more confident widow or widower. Make every March a time to review clients’ current plans and adjust as needed. With your guidance, clients can aim for a solid foundation and enjoy the retirement they envision.

Additional Resources and Links

[Protecting a Surviving Spouse Using Life Insurance and Annuities](#)

[The One Big Beautiful Bill Act \(OBBBA\) on Social Security Taxes: A Deduction – Not a Repeal](#)

[A Predictable Income Strategy Using an IRA](#)

**For more information about retirement planning,
please contact our Retirement Strategies Group at
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