



Nationwide Retirement Institute® | Legacy Essentials

# Supporting a surviving spouse

Couples growing older together enjoy the enviable status of having a companion late into life. But in most such cases, one spouse eventually becomes widowed. It's important to plan ahead as a couple to ensure that the surviving spouse isn't caught off guard by taxation, income loss or other things that will change when they lose their spouse.

## The widow's penalty

When one spouse passes away, the surviving spouse will start paying income taxes according to the "single" tax brackets. These brackets are much narrower than the "married filing jointly" brackets, and the previous income stream may put the survivor in a tough tax situation.

For example, when spouses leave all of their retirement assets to each other, the required minimum distribution (RMD) for the surviving spouse might not change much when they become widowed. But now, as a single filer, the survivor will have a smaller standard deduction and also be subject to those narrow individual tax brackets. As a result, widows can find themselves exposed to higher tax rates. Your financial professional can help you plan ahead to minimize the impact of the widow's penalty.



Are you addressing the "widow's penalty"?

Have you considered the drop in Social Security income?

Is there a backup income stream?

Would a tax-free benefit help?

## Changes to household income

Suppose two spouses together received \$5,000 per month of Social Security benefits (\$3,000 and \$2,000). When the first spouse dies, the surviving spouse keeps only the larger benefit. That means that the household's Social Security income goes down by \$2,000 per month. That's 40% less! Fortunately, there are many financial products available, such as annuities and life insurance, that can help mitigate that loss of income.

## Other factors

There may be circumstances in some marriages that could cause complications. If one spouse is significantly older than the other, if you live in a community property state or if there are children from prior marriages, you may want to discuss these facts with your financial professional. With the right documents and beneficiary designations in place, these particulars don't need to be problems.

## Questions to consider

To help you prepare for a discussion with your financial professional, think about these questions and gather some information.

### What would you want your spouse's life to look like without you?

- 1 How will income change when one spouse passes away?
- 2 Would the surviving spouse benefit from an additional stream of guaranteed lifetime income?
- 3 Is there a financial plan for the surviving spouse in case they need caregiving?

### Where will the surviving spouse live?

- 1 Could they maintain where they live now?
  - The sale of the primary residence provides a capital gains tax break
  - The passing of a spouse will allow for a step up in cost basis
- 2 Would they need to move closer to family or friends?
- 3 Will assisted living or long-term care be needed?
  - Downsizing can free up equity that can be used for care
  - Long-term care insurance might be an option

### How will property pass to the surviving spouse?

- 1 Consider reviewing how your assets (real estate and financial accounts) are titled. Be sure to understand how those assets will transfer at the death of the first spouse.
- 2 Is there individually owned property to consider?
  - Individually owned property might have to pass through probate
  - Keep in mind community property state considerations

### Are there other beneficiaries to consider?

- 1 A surviving spouse should update beneficiary designations after the death of their spouse. Generally, there's a need to name new primary and contingent beneficiaries.
- 2 Should you consider establishing a trust?
  - Some properties, such as vacation homes, can be placed in a trust to ensure a smooth transition to beneficiaries
  - Trusts can also be used to control the distribution of assets to beneficiaries; this can be helpful for beneficiaries who aren't ready to manage money, those who may have special needs, or younger beneficiaries such as grandchildren

Use our [Personal Info Organizer](#) to gather your account information and help you think of additional questions to ask.



Work with a financial professional to take actions that will help protect the surviving spouse.



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