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Five Financial Blind Spots That Burden Grieving Spouses

Proactive strategies can help avoid the financial fog of loss later

By [Veronica Dagher](#) [Follow](#)

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Sadness might be accompanied by revelations about the deceased spouse's financial activity. GETTY IMAGES

Losing a spouse is a profound emotional blow, and it often triggers a second crisis: a financial fog of legal hurdles and hidden tax traps. From being locked out of assets to facing a “widow’s penalty” that can raise tax rates, the [transition from a partnership](#) to solo financial management is fraught with potential costs.

The Wall Street Journal asked financial planners and other experts for their advice on ways to help ensure a [grieving spouse is prepared](#) for the road ahead.

Surprise debt

Survivors are often surprised to discover that the late spouse had individual credit-card debt, said Chris Bentley, founder of Wings for Widows, a nonprofit that helps

people with finances after the [loss of a partner](#). Bentley recalled one widow who found a \$5,000 balance on a store card in her husband's name.

Bentley advised the widow to notify the creditor of the death, and the company chose to discharge the debt. Creditors often find it more cost-effective to write off smaller debts than to pursue them through the formal probate process, he said.

In many states, if a card is only in one spouse's name, the survivor is generally not legally obligated to pay it. But rules vary: In "community property" states such as California and Texas, Bentley said spouses might be liable for debts incurred during the marriage, even if they didn't sign for them.

Locked out of accounts

Assets owned solely by the deceased must go through probate—the court process of validating a will—before they can be transferred to a surviving spouse. In some counties, this can take more than a year, leaving the spouse locked out of necessary funds.

Avi Kestenbaum, an estate planning lawyer in Mineola, N.Y., has seen surviving spouses forced to borrow money from their children for daily expenses in such situations, despite having a large estate.

To avoid these delays, Kestenbaum recommends:

- **Revocable trusts:** Assets in these don't go through probate.
- **Joint ownership:** Property or accounts held jointly transfer automatically to the survivor.
- **TOD/POD designations:** Adding "Transfer on Death" or "Payable on Death" to bank and brokerage accounts allows for an immediate transfer.
- **Individual liquidity:** Each spouse should maintain enough money in his or her own separate account to cover several months of expenses.

Invisible credit records

Widows are sometimes surprised to find they have little or no personal credit history, said Carla Adams, a financial planner in Lake Orion, Mich. If one spouse handled all credit cards and loans, the survivor might appear essentially invisible to credit bureaus—even with significant household assets.

Because credit systems track individual borrowing rather than household wealth, this lack of history can make it difficult to refinance a mortgage or qualify for a credit card.

To avoid this, both partners should maintain active credit in their names, Adams said.

New budgets

Melissa Estrada, a financial planner in Calabasas, Calif., recently worked with a widow who was shocked by her monthly expenses. Because her late husband had managed all the finances, she hadn't realized the cost of their lifestyle—including their insurance, car payments, housing, children's tuition and smaller recurring costs such as subscriptions.

After doing the math, she realized that maintaining the standard of living she enjoyed with her husband required a drastic change: returning to work, significantly cutting expenses for herself and her children, or both.

"She is now forced to handle a financial crisis while simultaneously helping her children process their grief," Estrada said. "She's trying to keep them all above water."

To avoid being blindsided after a spouse's death, Estrada recommends couples meet monthly to review their finances. If a spouse won't commit to learning the details, it's especially important for the other spouse to keep detailed records for the survivor, she said.

Higher tax brackets

Another change many don't anticipate: going from filing taxes jointly as a married couple to filing as an individual, said Elliott Appel, a financial planner in Madison, Wis.

Even if one Social Security benefit goes away after death, people with survivorship pensions and required minimum distributions on other retirement accounts can find themselves in a higher tax bracket, he said. The situation is known as the "widow's penalty."

A survivor can usually file as "married filing jointly" for the actual year the spouse died. If there are dependent children, the widowed partner might qualify as a

“qualifying surviving spouse” for up to two years following the year of death.

Appel also speaks to survivors about [Roth conversions](#), which can reduce distributions and taxes.

Write to Veronica Dagher at Veronica.Dagher@wsj.com

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