



FPA ANNUAL CONFERENCE 2025 | REGISTER NOW



November 3-5 | MGM Grand Las Vegas



Journal of Financial Planning®

September 2025 | Vol. 38 | No. 9 | fpajournal.org

Helping Your Clients Navigate Money and Emotions During Divorce

p30

RESEARCH: Exploring Planner Pain Points and Client Crises in the 'Psychology of Financial Planning' p66



Earn CE credit in this issue p89

NEXT GENERATION
Planner p21

MEMBERS, TAP HERE  FOR AN ONLINE MOBILE-FRIENDLY TABLE OF CONTENTS



Rebuilding Financial Confidence: Guiding Widowed Individuals Through the Financial Transition

As a bastion of emotional support and guidance, planners can help bring recently widowed clients from a place of vulnerability to financial confidence

By Christopher D. Bentley, CFP®, CLU, BFA, CRPC



Christopher D. Bentley, CLU, BFA, CRPC, is a CERTIFIED FINANCIAL PLANNER® and former wealth management adviser with 15 years at RBC and Ameriprise. A Naval Academy graduate and M.B.A. holder, he founded Wings for Wid-

ows in 2018. Chris authored The Widow's Guidebook to Financial Wellness and advocates nationally for the widowed community.

SUSAN SAT IN MY OFFICE, overwhelmed by the stack of investment statements. “Robert always managed our portfolio,” she explained quietly. “I know we have investments, but I’m unsure if they’re still the right choice for me now.” Like many widowed people, Susan needed to reevaluate investment decisions made as a couple.

The loss of a spouse creates profound emotional upheaval, but it also triggers significant financial transitions that require careful navigation. With the average age of widowhood in the United States being approximately 59, many individuals face this life-altering event during crucial pre-retirement or early retirement years. As financial professionals,

we have a unique opportunity—and a profound responsibility—to provide steady guidance during this vulnerable period.

In my work with Wings for Widows and Widow-Wise University, I’ve witnessed firsthand how proper financial guidance can transform a widowed person’s journey from confusion and anxiety to confidence and security. This article outlines critical considerations for advisers working with widowed clients, focusing on how we can provide both technical expertise and emotional intelligence during this life-changing transition.

The Initial Approach: Patience Before Planning

When Margaret first came to see me three months after losing her husband of 42 years, she arrived with a legal pad full of questions and financial tasks she felt she needed to address immediately. “I’m afraid of making mistakes,” she confessed. “Everyone is giving me different advice about what to do with the life insurance money, the house, and our retirement accounts.”

The initial approach with recently widowed clients requires sensitivity coupled with practical guidance. As advisers, we must acknowledge that grief can

impact cognitive function and decision-making capacity. Research indicates that major financial decisions are best postponed during the first six to 12 months of bereavement whenever possible.

Begin by addressing immediate concerns rather than overwhelming clients with comprehensive financial overhauls. Focus first on cash flow needs, ensuring bill payments continue uninterrupted, and identifying which financial matters genuinely require immediate attention versus those that can wait.

Many widowed clients express relief when they understand that taking time to learn about each account is more important than making quick changes. This patient approach builds trust and reduces anxiety. After several meetings with Margaret, we created a timeline that categorized decisions by urgency: immediate needs, 30-day horizon, six-month horizon, and long-term planning. This structured approach provided clarity while respecting her emotional state.

“When advising clients, emphasize that improper handling of retirement accounts can result in unnecessary taxes or penalties.”

I often implement a “widow checklist” with time-sensitive tasks categorized by urgency. This may include ensuring sufficient funds for immediate expenses, identifying bills that require immediate attention, locating essential documents such as wills, insurance policies, and investment statements, and initiating the death benefits claims process. The checklist also covers tasks like updating account beneficiaries, notifying financial institutions and service providers of the death, and reviewing and updating the client’s financial plan and investment strategy.

Investment Portfolio Considerations: Balancing Security and Growth

Janet had never considered herself risk-averse during 30 years of marriage. She and her husband had maintained a growth-oriented portfolio as they prepared for retirement. But six months after his unexpected death, Janet called me in a panic during a modest market correction. “I can’t handle watching the accounts drop,” she explained. “This money needs to last the rest of my life now.”

Investment strategy reassessment should be approached methodically. Begin with a comprehensive inventory of all investment accounts, including those solely in the deceased spouse’s name, jointly held accounts, and the surviving spouse’s accounts.

For jointly held brokerage accounts, guide clients through transitioning assets to individual accounts. During this transition, it is essential to reassess risk tolerance, as many widowed individuals experience a significant shift in their risk perception. Utilize risk assessment tools to assist clients in determining their comfort level with market fluctuations.

Review liquidity needs and recommend maintaining six to 12 months of expenses in easily accessible accounts during this transition—more than the standard emergency fund. Working with Janet, we created a three-tier investment strategy: a liquid cash reserve for immediate needs, a conservative income portfolio for medium-term expenses, and a moderate growth portfolio for longer-term goals.

While many widowed clients initially gravitate toward conservative positions, gently highlight inflation risks without pushing clients beyond their comfort zone. Implement portfolio changes incrementally rather than all at once to avoid market timing risks and give clients time to adjust psychologically.

This segmentation approach—immediate needs (cash), medium-term needs (conservative income),

and long-term growth—provides both security and growth potential. This structured approach made Janet feel secure about her immediate needs while maintaining the growth components necessary to sustain her finances throughout retirement.

“The most successful advisers recognize that working with widowed clients isn’t merely about managing portfolios or optimizing tax strategies—it’s about partnering with clients as they reconstruct their financial lives and identities.”

Retirement Accounts: Navigating Spousal Options

Carol, age 58, was confused about her options regarding her late husband’s substantial 401(k). “The company sent me forms with different options, but I don’t understand the implications of each choice,” she explained. “I don’t want to make an irreversible mistake.”

Surviving spouses have unique privileges regarding inherited retirement accounts that other beneficiaries don’t have. Clearly explain these options while highlighting their distinct advantages.

The spousal rollover option allows the surviving spouse to roll the deceased spouse’s retirement account into their own IRA. This will enable them to delay required minimum distributions (RMDs) until age 73, name new beneficiaries, and make additional contributions if they have earned income.

Alternatively, they can maintain the account as

an inherited IRA, which allows penalty-free withdrawals before age 59½ (beneficial for younger widows), requires RMDs based on the surviving spouse’s life expectancy, and cannot accept additional contributions.

Suppose the deceased spouse’s retirement account was an employer-sponsored plan (e.g., 401(k), 403(b)). In that case, the surviving spouse may also be able to retain the account within the employer plan or receive a lump-sum distribution (although this has potential tax implications).

Given Carol’s age and income needs, we determined that maintaining an inherited IRA would provide the most flexibility, allowing her penalty-free access to funds before age 59½ while she rebuilt her financial foundation. When advising clients, emphasize that improper handling of retirement accounts can result in unnecessary taxes or penalties.

Social Security Strategies: Optimizing Critical Benefits

Patricia, 62, was ready to claim Social Security immediately after her husband’s death. “I need the income now,” she insisted. After reviewing her situation—including her strong earnings record and excellent health history—we discovered that a more strategic approach could provide over \$100,000 in additional lifetime benefits.

Social Security claiming strategies become particularly critical for widowed individuals. The surviving spouse is entitled to survivor benefits based on the deceased spouse’s Social Security record, which may be available as early as age 60 or 50 if the spouse is disabled. Additionally, the surviving spouse may be eligible for their retirement benefits, based on their own work record, starting as early as age 62.

The optimal strategy often involves effectively timing these benefits. Suppose the surviving

spouse's benefit will eventually exceed the survivor's benefit. In that case, they might first claim the survivor benefit and switch to their benefit when it reaches its maximum value. Conversely, if the survivor benefit exceeds their benefit, they might claim their reduced benefit early and switch to the higher survivor benefit at full retirement age.

For widowed individuals still working, remember that claiming benefits before full retirement age while earning income above certain thresholds may result in temporary benefit reductions. Additionally, those who remarry after age 60 retain the ability to claim survivor benefits from their deceased spouse.

For Patricia, we recommended claiming her reduced benefit at 62 and switching to her maximum survivor benefit at her full retirement age of 66. This strategy provided needed current income while maximizing her lifetime benefits—a perfect example of how personalized analysis can significantly improve financial outcomes.

Healthcare and Insurance Planning: Covering Critical Needs

Elizabeth, 63, had been covered under her husband's employer's health plan before his death. "I have two years until Medicare," she worried. "The COBRA premiums are so expensive, but I have pre-existing conditions and can't go without coverage."

Healthcare planning often becomes more complex following the loss of a spouse, mainly if the deceased spouse provides health insurance coverage. Help widowed clients navigate immediate health insurance options, including COBRA continuation coverage (generally available for up to 36 months for surviving spouses), Marketplace plans under the Affordable Care Act, Medicare enrollment for those 65 and older (with attention to enrollment deadlines to avoid penalties), or employer coverage if the widowed person is employed.

Also, reassess other insurance needs. Determine whether existing life insurance policies should be maintained, increased, or reduced in light of changed circumstances. Evaluate whether long-term care insurance is appropriate given the client's new financial situation. Review property and liability insurance coverages to reflect current needs and updated asset values.

Guide Medicare enrollment timing and supplemental coverage options for widows approaching age 65 and review current coverage for those already on Medicare to ensure it remains appropriate.

The loss of a spouse often highlights the importance of preparing for potential long-term care needs. While discussions about future incapacity can be difficult, they are crucial for clients who may now lack a primary caregiver.

For Elizabeth, we explored Marketplace plans with premium subsidies, which offered more affordable coverage than COBRA until she reached Medicare eligibility—an example of how understanding all available options can provide substantial financial relief.

Tax Planning: Navigating Changing Status

Rebecca was surprised to learn that her tax situation would change dramatically in the years following her husband's death. "I didn't realize I'd only have two years to file jointly," she noted. "And I never considered the capital gains implications if I were to sell our house later."

The tax situation for widowed clients changes significantly. Critical considerations include filing status changes. Clients can file as a qualifying widow(er) with a dependent child for two years following the year of death, maintaining joint filing tax rates—but only if they have a child living with them whom they can claim as a dependent. Without a dependent child, they

must file as single (or head of household if they have other qualifying dependents), which may result in higher tax rates.

Jointly owned assets typically receive a partial step-up in basis (50 percent for community property states), which presents planning opportunities for appreciated assets. For RMD planning, spousal rollovers begin RMDs at age 73, based on the surviving spouse's life expectancy (increasing to age 75 in 2033). Also, inherited IRAs follow different rules depending on when the original account owner died.

Consider coordinating RMDs with other income sources to manage tax brackets and explore qualified charitable distributions (QCDs) to satisfy RMD requirements while potentially reducing taxable income.

For widowed individuals considering selling their principal residence, the Section 121 home sale exclusion allows them to exclude up to \$250,000 of capital gains (versus \$500,000 for married couples). If the home sale occurs within two years of the spouse's death, the surviving spouse may still qualify for the \$500,000 exclusion. Document the home's cost basis and any improvements that may be eligible for a partial step-up.

Tax planning becomes essential during the transition from qualifying widow(er) to single filing status. Forward-looking tax projections can help prepare clients for this change.

Estate Planning Revisions: Critical Updates

Diana had assumed that her estate planning was complete once her husband's will was probated. "I was shocked to learn how many documents still listed my husband as beneficiary," she shared. "Even my power of attorney still names him."

Estate planning documents require comprehensive review following a spouse's death. Coordinate

with estate planning attorneys to address updates to wills and trusts, including removing the deceased spouse as the beneficiary, potentially restructuring distributions to children or other heirs, and adjusting for changes in estate tax exposure resulting from the loss of the marital deduction.

Review power of attorney and healthcare directive revisions, appointing new agents to make financial and healthcare decisions if the spouse was previously designated. Ensure these documents reflect current state laws and preferences.

Update beneficiary designations on retirement accounts, life insurance policies, and transfer-on-death accounts. Consider contingent beneficiaries to ensure the client's wishes are fulfilled. For clients with minor children, ensure appropriate guardian nominations are in place.

“Understanding the psychological dimensions of financial decision-making is essential when advising widowed clients.”

Digital asset planning has become increasingly important. Address access to online accounts, digital property, document passwords, and digital asset inventory.

Estate planning becomes more urgent for widowed individuals, who may now be the sole decision-maker for family wealth. Simple checklist tools can help clients track the completion of these updates, while coordination between the financial adviser and estate planning attorney ensures comprehensive implementation.

Under-Prepared for Retirement: Developing Financial Resilience

After reviewing her finances, Mary realized she would likely outlive her money. “We had planned to work five more years before Howard passed,” she explained. “Now I need to rethink everything.”

Discovering insufficient retirement savings can compound the stress of losing a spouse. When this occurs, help widowed clients develop pragmatic strategies. For working clients, encourage catch-up contributions (available for those 50 and older) and explore options for contributing to both employer plans and IRAs.

Evaluate housing options, consider whether downsizing could free up equity to bolster retirement savings, explore whether a reverse mortgage might be suitable in certain situations, and assess whether the current housing situation remains suitable.

Re-examine retirement timing, as delaying retirement by even two to three years can significantly enhance the client’s financial security. Explore phased retirement options that allow the client to maintain some income while transitioning into retirement. Optimize Social Security claiming, as strategic claiming decisions become even more critical for under-saved clients. Delayed claiming can provide valuable protection against longevity issues.

When working with financially vulnerable widowed individuals, frame conversations around financial resilience rather than focusing on shortfalls. This approach acknowledges the challenge while emphasizing the client’s capacity to adapt and thrive in changing circumstances.

For Mary, we developed a three-pronged approach: working three years longer than initially planned but transitioning to part-time, downsizing to a smaller home in the same com-

Read Next

“Harnessing Client Motivation: The Power of Autonomy Support,” Brendan Pheasant, CFP®, ChFC, and Christina Lynn, Ph.D., CFP®, AFC, CDFA, May 2025



munity to reduce expenses and free up equity, and maximizing her Social Security benefits through delayed claiming. These adjustments dramatically improved her projected financial security.

Emotional and Behavioral Factors: The Human Element

Karen had always considered herself financially savvy but found herself paralyzed by financial decisions after her husband’s death. “I’m having trouble focusing and remembering the details we discussed,” she admitted. “And I’m terrified of making a mistake that can’t be fixed.”

Understanding the psychological dimensions of financial decision-making is essential when advising widowed clients. Grief can temporarily impair executive function, affecting the ability to process complex information. Decision fatigue often accompanies bereavement, making sequential decisions challenging.

Many clients experience a shift in their financial identity following the loss of a spouse. This may manifest as extreme risk aversion or impulsive financial decisions. Clients who are not the primary financial decision-makers may experience anxiety about their financial competence, while others discover untapped financial strengths during this transition.

Practical approaches include breaking complex decisions into manageable steps, providing written summaries, using visual aids, scheduling shorter

meetings, and encouraging clients to bring a trusted person to meetings.

Consider implementing a “decision-free zone” for non-urgent matters during the early months of bereavement. When decisions are necessary, help clients evaluate options using a structured framework that considers both emotional and financial considerations.

Family Financial Dynamics: Supporting Autonomous Decisions

Helen was caught between her adult children’s advice and her financial instincts. “My son wants me to sell the house immediately, while my daughter thinks I should never touch the investment portfolio. I feel pulled in different directions while trying to figure out what’s best for me.”

Family financial dynamics often shift following the loss of a spouse, especially when adult children become more involved in their widowed parent’s financial affairs. Advisers can help navigate these situations by facilitating family financial meetings, offering to host family discussions in a neutral, professional setting, and establishing clear agendas that respect the client’s authority while acknowledging family concerns.

“The financial transition following the loss of a spouse represents one of life’s most challenging periods.”

Set appropriate boundaries by helping clients determine what financial information they wish to share with family members and establishing protocols for family involvement that respect the client’s autonomy.

Address common concerns by educating clients about cognitive decline risk factors and protection strategies, discussing estate planning approaches that balance current financial security with legacy goals, and addressing concerns about new relationships and their potential financial implications.

When conflicts arise, be prepared to refer clients to professionals experienced in family mediation who can provide appropriate support. Family dynamics can be particularly challenging when siblings have differing opinions about their widowed parent’s financial decisions. Serve as an objective third party, helping focus discussions on the client’s stated goals and preferences rather than family members’ competing priorities.

Conclusion: A Journey to Financial Confidence

The financial transition following the loss of a spouse represents one of life’s most challenging periods. As financial advisers, we can offer exceptional value during this pivotal life transition. By addressing key concerns with technical expertise and emotional intelligence, we can help widowed individuals navigate immediate challenges while building a foundation for long-term financial confidence.

The most successful advisers recognize that working with widowed clients isn’t merely about managing portfolios or optimizing tax strategies—it’s about partnering with clients as they reconstruct their financial lives and identities. Through patient guidance, technical expertise, and emotional support, we can help transform a period of vulnerability into one of emerging strength and confidence. By serving as a trusted guide during this profound transition, our value extends far beyond financial outcomes—it establishes a foundation of trust and security that can solidify client relationships for a lifetime. ■