

Retirement Planning for Widows and Widowers

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An expert provides five essential steps for newly widowed individuals to ensure security and avoid costly mistakes.

Retirement Planning for Widows and Widowers – Adviser Sandra Adams writes that you probably did not plan on becoming a widow/widower before retirement. How do you start, starting over?

- [Retirement Daily Guest Contributor](#)

By Sandra D. Adams

When most people think of widows and widowers, they envision folks deep in retirement — likely with graying hair, slowing bodies, many of whom have spent the better part of 50 or more years married to the same person. Recent statistics from the U.S. Census Bureau tells us that our stereotypes of the average widow are likely incorrect, however. The average age of a widow these days is actually age 59. And because women typically live longer than men, many women could be supporting themselves financially for another 30 or 40 years.

You probably did not plan for becoming a widow/widower before retirement. How do you start, starting over?

- Carve out time for self-care and intentionally do not make big decisions (especially financial decisions) until your mind is clear and you feel ready to move forward with confidence. During times of transition, your mind can be numb and you can be vulnerable to stress and pressure from others to make decisions that you are not ready to make.
 - When the time is right, take the time to determine what is your new normal and what changes can be made to fit your new lifestyle. Eventually this will include new retirement goals and dreams and how your adjusted resources fit into these goals.
 - Use a system that makes things easy for you to handle finances (budget, bill paying, etc.). Don't stick to a system that doesn't work for you, just because it is the system your
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spouse might have used.

- Use your financial adviser as a partner and a coach to guide you through the process, particularly if you were not the one who handled the financial affairs prior to your spouse's death. If this is new to you, it could take a year or two to feel comfortable with the process.

Changing Income Sources

Pensions: If your deceased spouse had any pensions that he/she was due to receive at some point in the future or was currently drawing from, and you were listed as the spousal beneficiary, you may be eligible for all or some percentage of that pension as a spouse. The Employee Retirement Income Security Act (ERISA), requires private pension plans to provide a pension to a worker's surviving husband or wife if the employee earned a benefit.

Social Security: In most cases, if you had been married for at least nine months when he/she passed away, you may be eligible to draw Social Security income benefits based on his/her record as early as age 60 (approximately 71.5% of the deceased's benefit if drawn at this earliest age or 100% of the deceased's benefit if drawn at full retirement age).

You may be eligible to switch to your own benefit at a later date — something to consider if it's a higher amount than your spouse's when you reach your full retirement age or age 70. If you and your spouse were both receiving Social Security benefits at the time of his/her death, you will not continue to receive both benefits. You will only receive one — whichever benefit was the highest.

Annuity payments: These may continue to you if the annuity was based on your joint lives or if you were the beneficiary of the policy and there are payments still due, i.e., not based on your spouse's life, or you have the choice to continue the payments as your own.

Dividend income from taxable investment accounts: You will continue to receive this income if the assets were titled jointly, in a joint trust, or in a trust that is to continue with income for your benefit.

IRA/401(k) distributions: If your deceased spouse was over the age of 70½ and taking required minimum distributions (RMDs), the amount of the distribution needed for the year in which he/she died will need to be completed prior to the end of the year and you/the estate will receive the income.

If you were the beneficiary of the IRA/401(k), the account will rollover into an IRA/401(k) in your name and, if you are over age 59½ you will be eligible to take distributions. These will be taxable as income but without penalties. If you are over age 70½ you will have RMDs of your own (based on your own life expectancy) to take, starting the year following your

deceased spouse's death.

Other: There may be other income sources that are not as common (from real estate investments, former business arrangements, etc.). Seek professional guidance as you review each source, how it applies to you, and plan how to use it in the best possible way for your situation.

The biggest takeaway here? You may have significantly less income than you had prior to your spouse's death.

Changing Expenses

So, one less person — divide the expenses by two, right? Not quite. In most cases, expenses can remain as high as 70 to 80% of what they were before the death of your spouse. How can this be? Well, if you have the same home, you are still paying for that home even though only one person lives in it. Utilities don't go down all that much, and most of the other bills stay the same (rent or mortgage, property taxes, phone, lawn service, cable, repairs, etc.). Food, entertainment and travel might adjust, but I find that many widows and widowers will pick up the expenses for others (family members and friends) to go along with them places so that they have a companion. You may go down to one car, if you had more than one to begin with. Medical expenses and health expenses will go down some, but if folks need assistance as they get older and don't have a spouse (a built-in caregiver), they have to pay for that care.

Depending on the situation, there could be a significant income loss (50% or more in some cases) with only a 20 to 30% reduction in expenses. This could mean that a significant amount of additional income will need to come from savings/assets, or significant lifestyle changes may be needed. That is why planning ahead for the death of a spouse and making sure there are enough assets and/or enough life insurance to help cover these potential gaps for the spouse left behind is crucial. And working with a professional adviser during this process is crucial. It can be complicated and stressful.

Planning as a Single Older Person

Lack of a decision-making partner: If you have had a spouse/partner to help you make big decisions for most of your adult life and suddenly that person is gone, you may be left feeling lost. For many, this is one of the biggest transitions they experience when they become a widow/widower. It is important to find someone (a good friend, an adult child, a professional adviser) to become that decision-making partner for you. This should be someone who can be a good listener, can give an unbiased opinion, and help you think

through the pros and cons of decisions based on your best interests.

Estate Planning

Making sure your estate plan gets updated once your spouse passes away and finding the right people to help you can be a challenge. But, this can be one of the most important things you do. Have conversations with the people you intend to enlist to aid you to let them know your plans. Involve them as much as you and they are willing. Be sure to update asset titling and beneficiaries accordingly.

Long-Term Care Planning

As a single person, one of the biggest challenges you may face as you get older is the prospect of aging alone. Not only are you missing someone living with you to be your companion and your emotional support person, but you are lacking a large piece of the financial support that you once had. If you did not have a plan for financing long-term care expenses before you became widowed and you are still medically eligible, consider forming a plan to cover at least a portion of these future expenses in order to fund the life plan you desire (not the one you are forced to have because you failed to plan).

Investment Planning

When you have a spouse/partner, you generally find that you have a balance of risk tolerances, with one typically being more aggressive and risk tolerant with investments than the other, but between the two there is a comfortable balance. What happens when one spouse dies and we no longer have that balance if there was an opposite opinion? That is why it is important to have a professional adviser involved, to keep you grounded and accountable to the overall plan.

What are other investment risks and challenges that single older adults might be vulnerable to?

- Loss of interest in managing the investments. Included in this is the risk of the investor getting busy with other things and neglecting risk management and/or rebalancing when needed and/or necessary.
 - As we get older (with or without a diagnosis of cognitive impairment or dementia), our minds can slow down.
 - Having a professional relationship to oversee the investments and long-term financial plan and to assist as successor trustee and/or Power of Attorney, when and if needed, is a good plan.
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- Individuals in a vulnerable cognitive state, due to age and/or stress due to death of a spouse, can be susceptible to financial frauds and scams.

The transition to widowhood is never easy. It can take weeks, months, or years even when you are prepared. Planning ahead gives you the best chance at having a successful transition and a successful retirement and long life following the death of a loved one. Start today by taking inventory of what you have with your spouse (we suggest keeping an updated personal inventory of assets, insurances, professional advisers, etc., for reference), have a solid financial and retirement plan in place, plan for the contingencies, and make sure you have up-to-date estate documents in place. These topics are never fun to talk or think about now, but they are even less fun to talk about later if you have not planned well.

The personal inventory document we use is the [Personal Financial Record System](#).

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