

Learning to survive: Losing a spouse can leave many women financially vulnerable

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Anita Dufalla/Post-Gazette

Losing a spouse brings with it a host of issues, not the least of which is how the surviving spouse will support himself or herself financially. Elderly widows, in particular, have a higher likelihood of facing poverty as they struggle with grief.

"A lot of times the surviving spouses, especially widows, are surprised at how much debt they have," said Rick Staszak, an adviser with Financial Network Investment Corp., an ING company in Green Tree. "Once their spouse dies, they are not only forced to manage everyday finances and figure out their investments, but also have to take on massive amounts of debt that was accumulated over the years."

Even in better economic times, many women who became widows at an older age were financially vulnerable. But the recession created special problems for surviving spouses who saw their retirement funds dwindle, their interest income drop and are left with houses they can no longer afford and cannot sell.

Some women who are widowed might not have separate credit histories because credit accounts were listed in their husband's name only.

Financial planner Lyn Dippel with Financial Advantage in suburban Baltimore recalls one woman who inherited \$7 million but couldn't get a credit card because the cards were all in her deceased husband's name and she had no credit history.

Another well-off widow had a credit history but no source of income other than investments. When she wanted to sell her house and buy another, she found it almost impossible to get a mortgage -- even though she had enough assets to pay off the loan.

Credit is just one of many issues facing widows.

"I've worked with widows who range from their 30s to their 80s, and they all have similar issues," Ms. Dippel said. "They often lack confidence in making financial decisions, yet the concept of having someone else manage their money is foreign to them."

"They don't know whom to trust and become paralyzed," she said.

The most recent data released by the U.S. Census Bureau showed that in 2008, older women without a spouse were more prone than the national average to live in poverty, which is defined by the federal government as earning less than \$10,830 a year for one person. In 2008, 59 percent of adults in poverty were women, and three-quarters of those women were either widowed, divorced, separated or never married.

Those statistics are expected to worsen when 2009 figures are released.

Going back to work is not an easy option for older widows who could lose half or more of their Social Security income and all pension income depending on what pension option was taken.

Nancy Skeans, managing director of Schneider Downs Wealth Management Advisors in Pittsburgh, said one widow she was familiar with lost her husband's entire pension when he died two years after retiring. He had chosen the "single life" pension option because it offered the highest payout, but benefits stopped when he passed away.

"We have a lot of older clients both on Social Security and pensions and we do projections to get a sense of the damage if one were to die.

We want to see if their assets are large enough to cover loss of income."

In any situation, the best protection is life insurance.

The need for life insurance protection typically goes down as couples get older and children leave home, but each case is different.

Too often widows find themselves in a predicament where there is no life insurance or will.

"You have to plan for an event you don't want to happen, and that's hard," Mrs. Skeans said.

The issues are the same for men and women survivors since there are increasing cases where the wife is the higher income earner and dies before the husband.

As a consumer advocate for the Certified Financial Planner Board of Standards in Washington, D.C., Eleanor Blayney said widows in particular need guidance.

Women often do not get involved in managing finances until after a crisis, she said, adding that the average age of widowhood in this country is 56, which suggests many widows will probably be single for a long time.

"I've worked with a lot of women and have observed their tendency to come in when they are under stress," said Ms. Blayney, who also is author of "Women's Worth: Finding Your Financial Confidence." "The very worst time for making decisions is when decisions have to be made.

"So many widows arrive at that point having taken care of everyone, including an ailing spouse, and their financial resources may be depleted," she said. "Women are not adequately prepared for the fact that they are very likely to become widows.

"The best time to prepare for being single is when you're not."

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