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Important to keep your spouse in the financial loop



John Schooler

In an interview on MsMoney.com, Kerry Hannon, author of “Suddenly Single: Money Skills for Divorcees and Widows,” said she wrote her latest book after seeing loved ones face financial difficulties after becoming widowed or divorced.

“Some didn’t even know where their investments, insurance policies and the like were, or have a grip on their cost of living,” Hannon told MsMoney.com.

Being clueless about the family finances is not a gender issue. Plenty of men rely on their wives to pay bills, put money aside for savings and retirement, and keep important documents safely stored.

If you are the one responsible for the household investing and finances, you need to make sure you are keeping your spouse in the loop. That includes:

- Knowing the names, firms and phone numbers for key advisors including your investment manager, accountant and estate attorney
- Knowing where key documents, such as insurance policies, copies of your wills and investment account statements, are stored
- Having an overall idea of your financial situation
- Knowing where all banking and investment accounts are held

Even a non-working spouse should have an estate plan that includes cash and investments, real estate and insurance proceeds. If one spouse does not work, the working spouse should have not only life insurance but also disability insurance. Life insurance on the non-working spouse can also help offset costs such as childcare that may be needed after her death.

If you have an elderly parent who is widowed or divorced, you may want to have the same discussion (although it may be more difficult than with a spouse.) If a

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parent plans to leave a sizable estate to a child, it's important that the heir know where documents have been kept and which key advisors to contact.

If you have trouble figuring out what your spouse does and does not need to know, ask yourself this question: If tomorrow I were killed in an accident, what would my spouse need to know to ensure the family could survive financially?

The end of the year is a great time to think about what you want to accomplish and to set specific goals. This is a good way for families to get together on finances. A good way to start is to create your own annual review checklist.

Things change: interest rates, tax laws and your personal situation. Many events may require you to revise your financial and estate plans, including:

- Marriage, divorce, separation or serious consideration of one of those options by a family member
- An expected or actual birth of a child or grandchild, adoption or addition of a stepchild, health changes that affect your or your spouse's planning, lifestyle or attitudes
- Desire to add or delete specific bequests
- A decision to make gifts of property or cash to your children/grandchildren, or to make a charitable gift that will provide income for life
- Significant changes in your asset values
- Acquisition or disposal of real estate (or serious consideration)
- A received or imminent inheritance
- A change (or consideration of a change) in life insurance beneficiaries
- Reconsideration of designated guardian(s) or successor guardian(s)
- Wish to name a specific person as advisor to your executor and/or trustees
- Relocation due to a job transfer, retirement or personal reason
- Significant changes in your spending patterns
- Changes in retirement planning
- Purchase of a retirement home, vacation home or time-share unit
- Significant realized or unrealized capital gains or losses from last year
- Casualty insurance review
- Changes in your savings plan contributions

Plan for the unexpected. Along with your estate plan and testamentary arrangements, consider writing down your objectives, ideas and wishes in a letter to your family that will guide them in handling estate and investment matters, and in making other important decisions, in your absence.

Consider including a note of caution not to consider your thoughts rigid or binding, but to temper them by careful consideration of facts and circumstances

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existing when a decision must be made. Things change, and we can't foresee every eventuality.

Here are some things you may want to include in your letter:

- Arrangements for funeral, last rights and burial.
- Provisions relating to medical and nursing home care.
- Wishes regarding life support systems and organ donation.
- Advice on whom to seek out for medical, legal and financial counsel.
- Investment philosophy
- Important goals for the family
- Special information or other comments for a spouse
- Locations of original legal documents like power of attorney and wills.

Your letter should be signed and dated, and may be sealed. The envelope should be marked "To be opened in the event of my serious illness, incapacitation or death."

It is important to address these and related issues now. Set goals and determine a time frame for accomplishing them. This will help keep you together working towards a common goal. Remember the adage that if you fail to plan, you can plan to fail.

For questions, call or e-mail John Schooler, at (858) 677-0477 or john@wfpsecurities.com.