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THE REGISTER CITIZEN

Today’s Business: Are you prepared if your spouse should unexpectedly pass away?

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Christine M. Tenore; Contributed photo

In many marriages, one spouse manages the finances and the other manages the day-to-day household decisions and maintenance. But what if your spouse tragically, suddenly, passes away? Would you know what to do? Having a checklist of important financial information is a good place to start.

Do you and your spouse have wills? Are they up to date? There are often unintended consequences of not having a will or if your will no longer expresses your wishes. An estate plan should be revisited every three to five years to ensure that what you want to happen when you pass away will be carried out. Without a will, state laws (intestacy statute) may decide what happens to your estate.

What about income? How will you meet your budget if your spouse dies? Does your spouse have a pension? Is there a survivorship benefit? Generally, a funeral home will notify Social Security of an individual’s death. The surviving spouse still should contact the local Social Security office to claim a portion of the decedent’s income.

Retirement accounts present other concerns. Do you know who the beneficiaries are? If a spouse is a beneficiary of a retirement account the funds can usually be rolled over into an existing account and withdrawn over the surviving spouse’s lifetime. Under current law, non-spouse beneficiaries have only 10 years within which to withdraw the funds from an inherited IRA.

The ownership of a vehicle is often a nuisance after one spouse passes away. If the title of the car is in the decedent’s sole name, the survivor may have no choice but to go to probate court to obtain the authority to transfer or sell the vehicle — no matter how valueless the vehicle may be. Sometimes it is a good idea to title the vehicle in the names of both spouses or name a beneficiary.

Many individuals own life insurance policies. Do you have the contact information for the policies? Older life insurance companies may have been acquired by another company. The original company may no longer exist while the policy remains in force under the new company. Are beneficiaries listed?

Look carefully at how your non-qualified investment accounts are titled. If there is no joint owner or beneficiary listed, you may have to probate the estate. Adding a beneficiary is a simple task — and important to do so before there is an issue. Some investment institutions have other designations such as “TOD,” Transfer on Death, or “POD,” Payable on Death, which allow for the immediate transfer of funds.

Often a house is a couple’s major asset. How your house is titled will determine your options upon one spouse’s passing. If the house is held as Joint Tenants with Right of Survivorship, the ownership passes to the survivor automatically. However, a house held as Tenants-in-Common means that the decedent’s one-half interest will pass through his/her will under probate court oversight. Under Connecticut law, either way, you’ll need to obtain a Release of Lien from the court to have clear title and more importantly, to give the survivor a step-up in basis for one half of the value of the house, thus minimizing capital gains when the survivor sells the property.

Everyone is concerned about estate taxes. Under current federal law, there is a $12.06 million exemption. A surviving spouse can claim the deceased spouse's unused exemption amount by filing a pro-forma federal estate tax return (Form 706). This "Portability" gives the surviving spouse not only the estate tax exemption in place at the time of passing but the additional deceased spouse's unused exemption.

The unexpected loss of a spouse is profound and being surrounded by family and friends is a significant support during times of grief. But putting some basic information together before there is a death can bring you peace of mind if/when the unthinkable happens.

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