

# Updated Practical Wisdom for Survivors

## How to manage the financial issues that come with personal loss.

by Angele McQuade

Of all the books I've reviewed, a handful stand out for their intense practicality and deep wisdom. This includes the sixth — and final — edition of "On Your Own: A Widow's Guide to Emotional and Financial Well-Being."

Many of you know Alexandra Armstrong, CFP®, from her decades-long financial planning column here in *BetterInvesting Magazine*. (I had the honor of profiling her in our March 2021 issue, too.) It's been more than 30 years since she and her co-author Mary R. Donahue, Ph.D., published the first edition of "On Your Own," and 12 years since the book's last update. (They're also the co-authors of "Your Next Chapter: A Woman's Guide to a Successful Retirement," reviewed here in our October 2020 issue.)

As an 8-year-old, Armstrong watched her mother navigate widowhood, and she herself was widowed recently after 28 years of marriage. Donahue experienced unexpected widowhood as the mother of young daughters. Together, they use their own expertise in financial planning and psychology to guide widows through processing the emotions of their significant loss, getting organized financially, and planning for a secure and rewarding future.

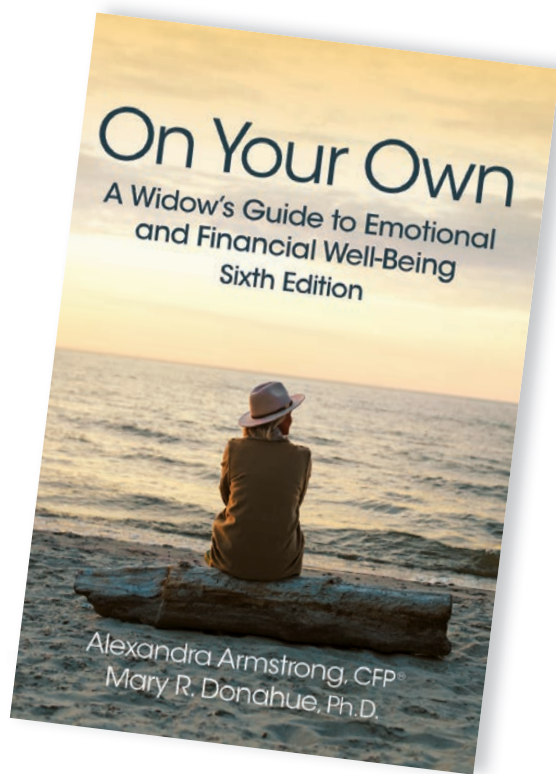
The book covers all the small but important steps those widowed must tackle, including the logistics of setting up a dedicated work area, notifying the appropriate people and institutions, collecting the critical documents and developing an updated budget.

There's also guidance on settling the estate and working with financial and legal professionals (with expert tips on selecting these advisers).

The content isn't limited just to women who've lost spouses/romantic partners, either. It should be considered essential reading for widowers, too, as well as anyone who's lost a close family member, and even those going through divorce.

**WHAT I LIKED:** how readers are treated as full people, and not just a spouse left behind. "It's essential to allow yourself to think about your own needs, desires and aspirations in a new light," the authors say, offering their "Who Am I Today Personally?" exercise as guidance.

**WHAT I LOVED:** the detailed stories of four fictional widows — each in different circumstances of age, net worth and family situations — used to illustrate the emotional and financial steps of widowhood, from the initial grief response through the survival and recovery stages. The stories are updated after each chapter, and even include "epilogues" catching up with each woman 10 years after her loss.



"On Your Own: A Widow's Guide to Emotional and Financial Well-Being (6th Edition)," Alexandra Armstrong, CFP®, and Mary R. Donahue, Ph.D., On Your Own Publishing (2024), paperback (\$19.99) and ebook, 361 pages.

### WHAT MAKES "ON YOUR OWN" WORTH BUYING:

the focus on the unbreakable link between emotions and finances during this unsettled time. "The better you as a widow are able to come to terms with your loss emotionally," the authors say, "the better able you'll be to address the financial consequences."

**READ "ON YOUR OWN" IF:** you're a widow yourself, or soon facing the loss of a partner to age or illness. This is also the book to give anyone who's just lost the person they loved most in the world. "On Your Own" not only offers reassurance and direction, it gently reminds that "on your own" doesn't have to mean alone.

Angele McQuade has been the Book Value columnist for 23 years. Angele's the author of three books, including BI's upcoming new youth investing handbook. She lives in Maryland, where she also writes novels for children. Have a book to recommend?

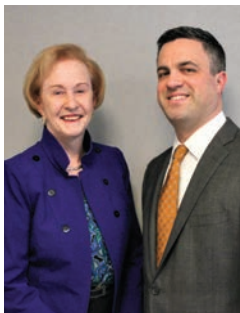
Email: [angelemcquadeauthor@gmail.com](mailto:angelemcquadeauthor@gmail.com)



# Do I Really Need an Estate Plan?

You should consider your health care directives, digital assets.

by Alexandra Armstrong, CFP® & Christopher Rivers, CFP®, CRPC®



What do actor Chadwick Boseman, comic book author Stan Lee, painter Pablo Picasso and singers Prince and Aretha Franklin have in common? Each died without a will, causing years of financial and family conflict as their estates were tied up in costly legal proceedings. While taxes have historically been one of the primary concerns of

estate planning, there's much more at stake.

## BASIC COMPONENTS OF AN ESTATE PLAN

Your estate plan outlines how and when your assets will be distributed to your heirs and if structured properly it ensures that process is done without the hassle of probate. It outlines who will care for your children in the event of your death as well as how assets will be set aside and managed for their benefit when they are minors.

Your estate plan should also include your health care directives, including a living will, appointment of a health care power of attorney, as well as your wishes for disposition of your body after you pass.

If you are a business owner you likely have a continuity plan at work that outlines who takes over for you in the event of your death and how your interest in the business is acquired by your successor. Your individual estate plan should be coordinated with this business succession plan.

Finally, your estate plan should include instructions for how to handle your digital estate — accounts and passwords, online profiles, photos and files, along with cryptocurrencies and other digital assets that have monetary value.

## CHOOSING A PERSONAL REPRESENTATIVE (PR)

After you've made a list of your estate assets, you next need to select your personal representative (PR) as well as who will serve as a successor in this role if the person you selected is unable or unwilling to serve.

This is a very important decision, as this is the person who makes sure your assets pass as stipulated in the will. A PR can be a person or an institution, such as a bank. Many select a close, trusted family member, but make sure you ask that person's permission before naming him or her — you don't want any surprises!

Your PR should be someone who can be trusted as well as someone who can competently fulfill the task. Sometimes you don't have an appropriate family member, so you might delegate this duty to a close friend or a lawyer.

With one client, we suggested that she instruct her PR, who is a family member but not particularly financially oriented, to ask her estate-planning lawyer to help with the legal issues. In this case, we also recommended that she stipulate the lawyer's fees should be paid by the estate. This way the PR still could make the family decisions.

We've seen instances when a widow names all her children as personal representatives to prevent family discord. In our experience, the opposite happens if there are multiple personal representatives. It works better if only one person is designated as the personal representative, preferably one who lives near the deceased. If multiple decision-makers are involved, settling the estate becomes needlessly complicated and can lead to family conflict.

If you have minor children, you must designate a guardian. This is another difficult decision and once again should involve having a frank conversation with the potential future guardian to make sure that individual is willing to accept this responsibility. That conversation should also involve your wishes for the children's futures and how those wishes will be funded. Sometimes it's advisable to name two guardians — one who will take care of the children physically and another who will handle the finances. This way you can avoid conflicts of interest.

## DISPOSITION OF ASSETS

Estate tax aside, one of the primary goals of estate planning is to make sure your assets benefit your heirs as you see fit, with the minimum amount of friction. If you don't have a will, your state will dictate to whom your assets will go at your death. This may mean that if you're single, your estate goes to your parents, or if they aren't living, to your siblings in equal amounts. If you're married, it may mean part goes to your surviving spouse and part to your children. Thus, to avoid unintended, unfavorable consequences including family disputes, you should have a will.

In addition, you must be diligent about updating your will to reflect significant life changes. Divorce is the most obvious event necessitating a change, but you should take a fresh look as your children become adults and start families of their own.

## A HOUSEHOLD BALANCE SHEET

It's important to understand that only the assets titled solely in your name are guided by your will. Since you designate a beneficiary for your retirement accounts and insurance policies, these assets pass outside the will and



outside of the probate process. The same is true for jointly held property or “payable on death” bank accounts.

Note that any joint titling or beneficiary designation takes precedence over what’s written in the will. For example, let’s assume John has a son, Tim, and a daughter, Jane. If John and Tim own a bank account together as joint tenants with rights of survivorship, but John’s will says to distribute the account equally to both children, the joint account will go entirely to Tim and the other assets will be split between Tim and Jane.

### ESTATE TAXES IN 2024 (AND BEYOND)

In 2024, the federal estate tax exclusion is \$13.6 million per individual. It is not until your estate reaches above this level that the estate tax is applied. Furthermore, spouses can “share” their exclusion, which means a married couple can shelter a total of \$27.2 million from estate tax. So, you might ask yourself, why do I need an estate plan? According to the Joint Committee on Taxation only 0.1% U.S. estates will be taxed — essentially eliminating the estate tax for all but a few thousand people each year.

However, there’s uncertainty on the horizon. When the current federal estate tax exclusion was put in place in 2017 it was set to last through 2025, then “sunset” and revert back to prior levels, adjusted for inflation. This means that, unless Congress acts, the federal exclusion will revert back to around \$7 million in 2026. Needless to say, what happens will likely hinge on the results of the 2024 election. That being said, each of the last 25 changes to the estate tax exclusion have resulted in an increase from prior levels, so while the current sunset could go through, it would be a departure from the trend.

In addition, 12 states and the District of Columbia impose their own estate taxes separate from the federal tax. The state exclusions vary but Oregon maintains the lowest, taxing estates once they reach \$1 million. In addition, six states may impose inheritance taxes on heirs, depending on their relationship to the deceased. Check [taxfoundation.org](https://www.taxfoundation.org) to determine if your state imposes an estate or inheritance tax.

While the current federal estate tax is unlikely to affect most individuals, your plan should be crafted with state estate and inheritance taxes in mind, so that you pass on as much of your assets as possible to your heirs.

### WORK WITH AN ESTATE-PLANNING LAWYER

Once you have a master list of your estate assets, selected your PR and guardians, and determined your beneficiaries, you’re ready to consult an estate-planning attorney. Regardless of the size of your estate, we think it’s important you work with a lawyer who specializes in estate planning; because of their experience, they can raise issues you might not have previously considered.

The lawyer will prepare a draft of the will and other estate-planning documents for you to review. Assuming it covers your intentions, the final documents are prepared and signed by the testator (the person making the will).

You must declare that the will is your last will and testament and must do so in the presence of at least two

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competent witnesses (requirements vary according to your state) who sign the document. These witnesses can’t be beneficiaries of your will. The original document is the only effective one. A will that’s corrected or marked up after signing might be invalid. Every will should be dated to show which is most recent.

### REVIEW AND UPDATE YOUR PLAN REGULARLY

Once you have a valid will, you should review it periodically, whether for family changes as noted above, or for things like inheritances or a move to a new state. Most importantly, you need to tell your family where the will is kept. Often the lawyer keeps the original, but you want to make sure the family knows who your lawyer is and his/her contact information.

Keep in mind that your estate plan is a snapshot of your situation, your wishes and the tax laws at the time of writing. We recommend you refresh your plan every seven to 10 years or when the tax law changes, whichever comes first. As always, the devil is in the details when it comes to your estate, so careful planning is essential. Over the next two months we’ll delve deeper into some of the components mentioned above, including living trusts, powers of attorney and health care directives.

Please note this article isn’t intended as specific legal advice, as that should only come from qualified legal counsel. This article is intended to motivate you to prepare a will or, if you have one, to reread it to make sure it still reflects your current wishes. Your family will be grateful you gave them this final gift!

Alexandra Armstrong is a CERTIFIED FINANCIAL PLANNER™ professional and founder and chairman emeritus of Armstrong, Fleming & Moore, Inc. Christopher Rivers, a CERTIFIED FINANCIAL PLANNER™ professional and Chartered Retirement Planning Counselor<sup>SM</sup> and co-author of this article is a principal of Armstrong, Fleming & Moore, Inc., located at 1800 M St. NW, Suite 1010-S, Washington, D.C. 20036-5813, 202/887-8135.

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