



## Reworking Personal Finances

**Y**ou have just buried your spouse. You realize as you adjust to the cold reality of life alone that your financial situation will be different. Will you have enough income to pay bills? Can you continue to live in your present home? It's time for some careful rethinking—of your income, your expenses, your investments. Here's a guide.



### RE-EVALUATING YOUR INCOME

Consider first any changes in your Social Security benefits, private pension plan benefits, other financial assets, and cash flow. How much will your new income be? The answer might surprise you. There are a variety of potential sources of income. If you have dependent children, you might be eligible for financial support for them. (You also might be responsible for their inheritance from your deceased spouse though unable to use any of the money for your own expenses.)

Take time to consider all the possibilities. Consider assets you and your late spouse held jointly as well as those in your spouse's name only. Which of these will pass to you? How much income can you expect from them? Don't forget:

- savings account(s)
- certificates of deposit
- money market accounts
- life insurance benefits
- IRA accounts
- annuities
- stocks and bonds

To estimate how much you could receive from your assets, find out what interest they earn. Multiply their total value by the percent interest you expect them to earn each year. Add the result to the totals for Social Security, pensions, and any other income, and you will have an idea what annual income to expect. Here is an example:

<u>SOURCE OF INCOME</u>	<u>ANNUAL AMOUNT</u>
■ Social Security income	\$9,228.00
■ Pension income	\$7,536.00
■ Certificate of deposit (\$20,000 @ 6% APR)	\$1,200.00
■ Money Market Fund (\$25,000 @ 8% APR)	\$2,000.00
■ Life Insurance Proceeds reinvested in stocks and bonds (\$50,000 @ 12% APR)	<u>\$6,000.00</u>
<b>Total anticipated annual income</b>	<b>\$25,964.00</b>



**REWORKING YOUR FINANCES: EXPENSES**

As with your income, your expenses will change. To figure the amount of those expenses, first make a list of debts for which you are responsible. Assets in your spouse's estate may be used to repay debts he or she incurred, but keep in mind this will lessen the amount you inherit. Consider too how much money you will need for day-to-day living expenses.

If your spouse's death has left you living alone, you should be spending less on utilities and food. Some living expenses (rent or mortgage and property taxes) will remain the same. Others might increase as you hire outside help to do things your spouse used to do, such as housecleaning, yard work, repairs or laundry.

To figure out what your expenses will be, make a list of those things you must spend money on regularly, such as:

- car insurance
- gasoline
- mortgage or rent
- clothing
- gifts
- debt payments
- property taxes
- homeowners insurance
- electricity and gas
- savings
- life insurance
- furniture/equipment
- phone
- health insurance
- donations
- recreation
- income taxes
- food
- sewer
- meals eaten away from home
- transportation
- garbage
- water

Tailor your list to reflect your needs. And remember to include seasonal expenditures for holidays, car license fees and taxes, and other annual costs. To gauge changes in expenses, keep a log of your expenses for two or three months. This will show you how much you will need for each item on your list.

**REWORKING YOUR FINANCES: CASH FLOW**

Compare your total expected income with total expected expenses. You might find you need to make more or spend less.

If you are retired or on a fixed income, you might have some flexibility in your investments: savings accounts, certificates of deposit or money market funds. You might be able to reinvest your money in other, moderate risk ventures that pay at higher interest rates. If you are not retired, you might consider finding a job to supplement your income.

If you decide you need to reduce expenses, remember: It's a good idea to set aside money for emergencies such as home repairs and doctor bills.

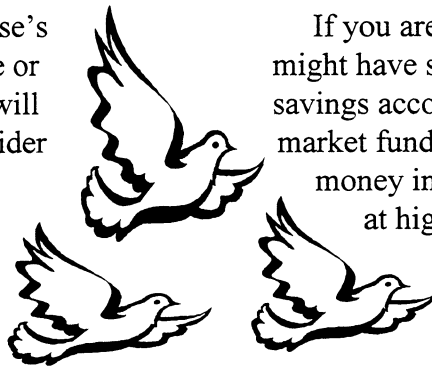
**REWORKING YOUR FINANCES: BUDGETING**

A budget is a spending blueprint for meeting needs and wants. Establish a monthly budget for each regular expense you listed. Consider credit card accounts. Return and cancel accounts that are in your spouse's name if you want to avoid those annual fees. Rethink any jointly held credit card accounts and decide which ones, if any, you want to maintain.

**REWORKING YOUR FINANCES: INVESTMENTS**

Take a careful look at your financial investments, deeds and beneficiaries. If your deceased spouse was the designated beneficiary on your pension plans, insurance policies, property deeds or stock certificates, you need to reassign beneficiary status to another person.

Ask for a change-of-beneficiary form from the pension plan office or insurance company. Complete the form and return it. New stock certificates can be issued by the company that sold you the stock. Have your attorney help you with title changes for property such as cars and houses.



These changes must be filed with the appropriate county government office. This might be a good time to prepare a new will or set up a living trust.

**OTHER SOURCES OF HELP AND INFORMATION**

- Money-management educational programs offered by your local Cooperative Extension office or community education program.
- Consumer magazines related to personal finances and money.
- Library books on money management and investments.
- Attorneys or financial investors or advisers. Ask friends to recommend one. If you can't afford an attorney, look for a legal aid clinic that offers advice free or at a reduced rate.
- Local community-assistance programs such as government subsidized housing, food stamps and health clinics. You might be eligible.

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