**Life Happens…**

**Communication is Key**

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Lori and Steve had built a great life together. They had raised 4 kids who were all out on their own and they had 5 grandchildren they loved very much. Life was very good.

However, at the beginning of the year, Steve had not been feeling well and a doctor’s visit confirmed a cancer diagnosis. Even with aggressive treatment, Steve died in July of that year.

Lori was devastated but because she had been a good partner with Steve with the finances and had a good relationship with their wealth advisor, the burden of dealing with everything on the financial side was much easier. Her wealth advisor helped her with transferring accounts to her name and even with the life insurance claim. That year’s taxes were done as normal with their long time CPA.

However, by the time the next year hit and Lori was trying to build a life without Steve, a new problem occurred that she hadn’t even thought about. Taxes!



As a married couple, Lori and Steve made about $90,000 a year. That figure didn’t decrease much after Steve’s death. At $90,000 a year and claiming Married on their taxes, it put Lori and Steve in the 25% tax bracket.

But, with Lori now claiming Single, that same income put her into the 28% tax bracket (a single person can just make $37,000 to keep in the 25% bracket). Also, she had loss of deductions and exemptions on her taxes. This meant, she ended up paying much more in taxes. This “widow’s penalty” was something her CPA did not disclose to her.

What could Lori have done? It would have been important for her to bring her tax return to her wealth advisor who could have advised her of the change in her tax situation and help her find solutions. Also, it is important to look at where income is coming from and is it causing more of the social security to be taxed. There might also be a benefit in making Roth IRA contributions.

It is important with a transition in life like a death of a spouse, to make sure that all parties have the correct information, especially when it comes to taxes. If the wealth advisor and CPA had worked together, Lori may have been able to head off some of those additional tax problems.



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