

Get Your Financial House in Order -- Just in Case

Adviser Cindy Turkington explains how couples can plan their financial future effectively, even if only one person mostly manages the money.

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By Cindy Turkington

If you are married or in a committed relationship, are you participating in your family's finances?

One observation I've noticed over the years working as a Certified Financial Planner professional that really stands out is the large number of women who are not actively involved in their family's finances. Whether it's due to lack of interest or other reasons, I find that when a major life event occurs, such as a spouse passing away or a divorce, the woman is now in a situation where she is vulnerable and afraid because she doesn't know the status of her financial situation.

A number of years ago, I met a woman who I will call Mary. Mary and her husband were in their early 60s and owned a successful business. They lived in an affluent neighborhood and were considered to be quite comfortable and wealthy. Her husband handled all of the financial aspects for the business as well as their personal finances. He always told her he had things under control, everything was taken care of, and she didn't need to worry. When Mary's husband died

unexpectedly, Mary was in for quite a surprise. She discovered that their financial situation was far from being taken care of.

As it turned out, Mary and her husband didn't have wills, and she was not listed as an owner of any of the business or personal assets that they owned. Their son had joined the family business many years prior to her husband passing away. Her husband had transferred ownership of the company's buildings and other business assets into their son's name. After a few years in the family business, their son decided to leave and pursue a different career, but he remained the owner of the business assets. The assets were never transferred back into Mary or her husband's name.

As a result of the oversight, after Mary's husband died, her relationship with her son was permanently damaged being that he had remained the owner of all of the business assets. He didn't think she had any claim to them even though she was still active in the business and he was not.

Amazingly, Mary was not even listed as an owner of the home she had lived in for 30 years. So, in Mary's situation, all of the assets and property that her husband owned had to go through the probate process and she ended up unnecessarily paying hundreds of thousands of dollars in estate taxes and probate costs because they didn't have their financial house in order.

(Note: The Federal and Minnesota (where this happened) estate tax exclusion amounts at the time of the husband's death were much lower than today.)

I find this to be such a sad story because many of the mistakes they made could have been easily avoided if the right professionals were in place to help them plan appropriately.

On a similar note, I have heard many stories about a loved one passing away and the family is unable to find a will or locate the person's financial accounts. The family members end up having a challenging time trying to find the information they need so they can step in and help. It can be a very frustrating and time-consuming process for your loved ones when something happens to you and your records aren't organized.

To gauge the status of your financial situation, ask yourself these questions:

If something happens to me unexpectedly, is my financial house in order to take care of and protect my family?

Would anyone be able to easily find all of my important documents and information if something happened to me?

Do I have my final wishes and goals clearly stated so my loved ones are able to fulfill them for me?

If the answer to these questions is no, now is a great time to make it a priority to get your financial house in order. Here's a list of some things to do to get started:

Review Your Estate Plan

Your estate planning documents would include your will, healthcare directive and Power of Attorney. These are very important documents for you to either establish if you don't currently have them, or update them if it's been a few years since the last update.

Having a will allows you to decide how your assets are distributed after you die vs. having the court system decide. Other benefits of having a will include helping to minimize estate taxes, and it gives you the ability to create a testamentary trust, which is necessary if you have minor children. You can choose to disinherit family members who would otherwise stand to inherit your estate if you died without a will. You can also choose to give money to your favorite charity or religious organization.

A healthcare directive is a written document that outlines your healthcare wishes if you become unable to make your own decisions. You are also able to name another person to make those decisions for you and for them to follow your wishes outlined in the directive.

A Power of Attorney gives another party the ability to make decisions on your behalf if you become incapacitated or unable to make your own decisions.

Create a List of Your Advisers

These would include your estate planning attorney, financial planner and CPA or accountant. List their phone number, email, firm name, office location, etc. That way if something were to happen to either of you, your advisers are there to help and it will be easy to contact them.

Your Investment Accounts

Make a list of each bank and investment account, the account number and login information for each of these accounts if available. These would include 401(k) or other retirement plan accounts, IRA accounts, brokerage investment accounts, mutual fund accounts, checking and savings accounts and CDs. If you are eligible for or are currently drawing a pension or Social Security, make sure this information is included with your investment accounts. Also, review the beneficiary designations on your IRA, 401(k), pension and other retirement accounts.

Password Record

This is probably one of the most important things to do on the list. Create a simple password sheet where you can list all of the accounts and passwords on it using one piece of paper (or more if you have a lot of passwords), or pick up a simple password book at an office-supply store. Most people tend to write passwords on scraps of paper or in random places that make it difficult to locate, or their handwriting is too messy to read. Don't use the same password for every account and don't store your passwords on your computer. If your phone or computer has a password, make sure someone either knows your password or add these to the password list.

Make a List of Your Bills and Important Documents

Note if they paid by check, credit card or online through your bank account.

Create file folders or make a list of where each of the following documents are located.

Insurance policies: include life insurance, disability, auto, home and umbrella. Review the beneficiaries on your life insurance policies.

Health insurance and medical record information: list the names and phone numbers of your doctors, their specialty, current medications taken, and other important medical information.

Credit cards: Make a copy of each card so you have the account numbers and expiration dates

Mortgage information: lender, mortgage amount and term, interest rate, monthly payment amount

Social Security cards, birth certificates, marriage certificate, divorce records: A safe deposit box is a good place to keep these items.

Long-term care insurance provider and policy information: It's also a good idea to set up your long-term care policy on auto-pay. That way your policy doesn't lapse and get canceled by mistake due to a late or missing payment.

If you own a business, keep track of business records, partnership agreements, buy/sell agreements

Don't forget to identify any safe-deposit boxes you have, where they are located and note where the keys to the boxes are.

Make a list of other personal property or assets owned, such as cabins, vehicles, boats, recreational vehicles, land, rental properties, jewelry, etc. and include date acquired, approximate value, whether or not there is a loan balance on item.

Make a list of your debts and loans.

Note in detail your wishes for funeral arrangements, a memorial service, any burial or cremation instructions, and any cemetery plot deed or arrangements you might already have made with a funeral home or mortuary.

List provisions of the care for your pets.

Now Talk About These Things

After you have gathered important documents and information, the next step is to sit down with your spouse or partner to review the information you have gathered and talk about your finances.

This may or may not be an easy conversation, depending on how often a couple talks about money and finances. Some spouses are not interested at all in knowing anything about money, while others that are in charge of the family's finances might find it threatening when all of the sudden their spouse wants to know more about their family's financial situation. Setting up a specific time to talk about finances every month or so can be good get the dialogue started and to keep it going.

If you are the person who is primarily in charge of the finances, a good idea would be to give your spouse a "tour" of your home to show them where they can find all of the important financial items you have in the event something was to happen to you. Ask your spouse if they have any questions or if they would like you to explain anything that you have talked to them about in more detail. Also, include your spouse when meeting with your estate planning attorney, accountant and financial planner.

Often when I am putting together a financial plan for a couple, the person in the relationship that doesn't know what's going on tends to worry more about their financial situation. Once they are included in the conversation and know where they stand financially, they tend to feel better and are willing to make any necessary changes needed to improve their financial situation or they will feel more confident knowing that their spouse has done a good job in managing their finances.

Getting your financial house in order requires putting in some extra time to organize and communicate to your spouse or partner where all of the items on the list are located. But you should feel better now knowing that if the unexpected happens, your loved ones will appreciate your efforts.

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