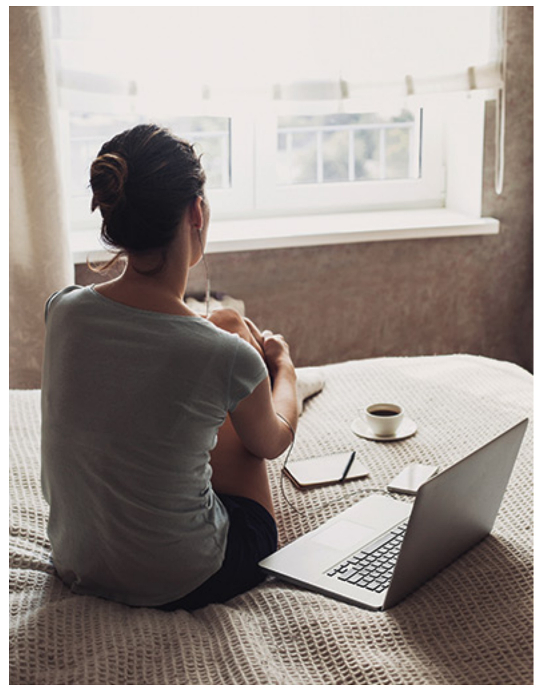
Recently divorced or widowed

Five steps to protecting your finances

Based on an article from our U.S. partners.

Losing a spouse through death or divorce can be an emotionally devastating experience. And yet it's typically a time when many financial matters require your immediate attention.

To help avoid making emotionally driven – and potentially harmful – financial decisions, it's important to be prepared should you find yourself suddenly single. Here are five important action steps that can help protect your personal finances.



1. Update your financial accounts.

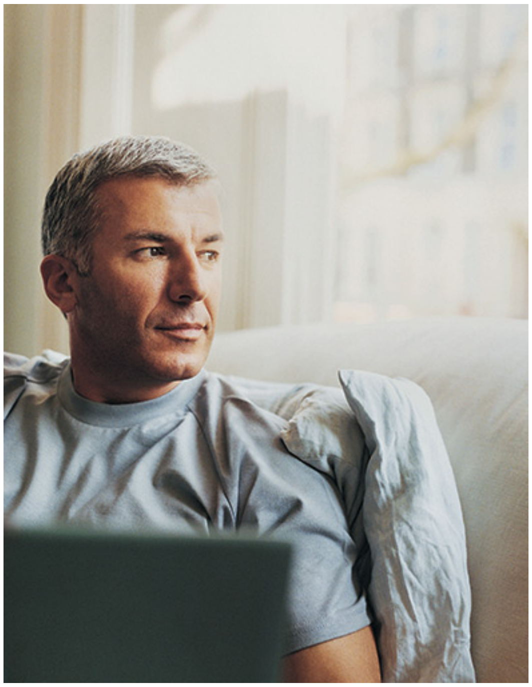
When you lose a spouse, whether through death or divorce, you'll likely need to change the registrations on any financial accounts that are owned jointly. Such ownership changes typically require certain documentation. It's best to initiate this process early on, as registration changes can take weeks to implement.

A word of caution: Pay attention to the conditions under which you divide assets and/or shift ownership. You could face significant tax burdens when splitting up highly appreciated assets, or risk losses by selling in volatile markets. You should consult your tax advisor.

2. Divide or roll over retirement assets.

Pension and retirement account assets have their own set of rules when it comes to shifting ownership from one spouse to the other, or splitting the assets.

Generally, upon the death of the account owner, retirement account assets pass directly to the beneficiary (often the spouse, for those who were married) designated on the account, while in cases of divorce, retirement assets are often split up as part of the divorce settlement.



3. Adjust your income and budget.

In many cases, being suddenly single could mean reduced household income. You may need to adjust your budget accordingly. Start by listing your essential expenses (housing, food, insurance, transportation, etc.) and your discretionary expenses (dinners out, vacations, clothing, etc.). Try to match reliable sources of income (salary, support payments, pension, etc.) to your essential expenses, and see where you might trim your discretionary spending. Speak with your financial advisor to help you set up a budget that works for you.

4. Evaluate your insurance needs.

What you'll have and what you'll need for insurance can change dramatically when you lose a spouse through death or divorce. It's important to take a careful look at all the different types of insurance that are available, to see where you may need to adjust your coverage. Be sure to review the following:

- **Life**

If you are the surviving spouse and the beneficiary on your deceased spouse's life insurance policy, you will typically receive the proceeds, tax-free. But if you are still caring for children, you may want to either purchase or increase your own life insurance coverage to make sure they will be protected in the event of your death.

If you divorce, you have to consider (1) changing the beneficiary on your life insurance, if it is currently your ex-spouse, and (2) purchasing or modifying your coverage to adequately protect your children if either you or your ex-spouse dies.

- **Health**

Even if your spouse carried your family's health insurance coverage, you should be able to continue it for a period of time, whether you are divorced or become widowed. Talk to an insurance expert to ensure you have adequate coverage to meet your unique needs.

- **Disability**

What if you were injured or sick and couldn't go to work? Disability insurance is designed to protect you and your loved ones against loss of income.

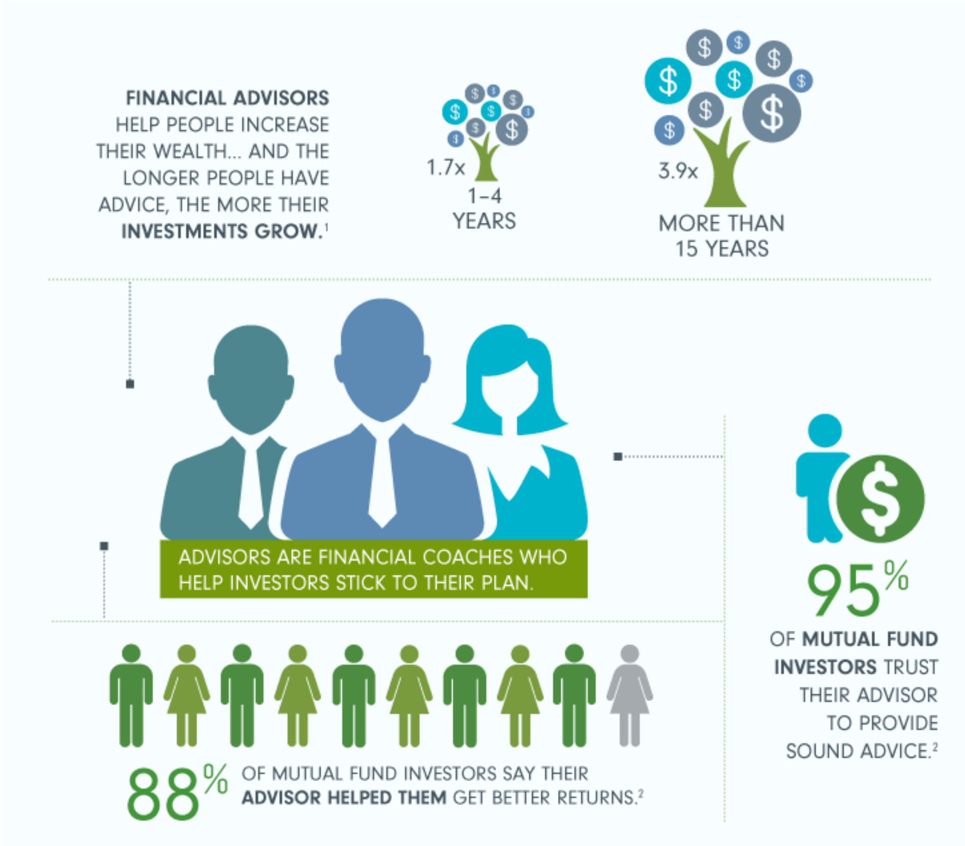
- **Long-term care**

If you're in your 50s or older, you may want to consider buying long-term care insurance to help keep potential costs of nursing home stays and home health care from depleting your income resources if you become seriously ill or injured.

5. Review your credit.

When you're suddenly single, your credit can be among your most valuable assets, so protect it wisely. After divorce or the death of a spouse, you may want to request a copy of your credit report to take inventory of all the accounts that are open in your name and/or jointly with your former spouse.

If you're divorced, you'll want to close joint credit accounts and shift to single accounts, so that an ex-spouse's credit score won't affect your credit rating. If you're widowed, contact both Canadian credit bureaus (Equifax Canada and TransUnion Canada) to let them know that your spouse has passed away, in order to keep others from falsely establishing credit in his or her name.



Infographic

1. Centre for interuniversity Research and Analysis of Organizations, 2016

2. Pollara Research, Canadian Investor's Perceptions of Mutual Funds and the Mutual Fund Industry, 2016