Suddenly alone and grieving, widows and divorcees face financial confusion

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When her husband of 46 years suddenly died last March, 76-year-old Hanako didn't notice when spring came. She didn't notice when summer arrived and left or that fall was now here.

Disconnected from money issues, not even knowing how to pay a bill, the burden of her grief meant she also simply didn't care about her family's personal finances.

Losing a life partner through death or divorce is traumatic. But for many women of older generations, money matters have often been the husband's domain. When the partner is gone, senior women, already vulnerable after their loss and perhaps through age, may find themselves ill-equipped to handle complex money decisions awaiting them.

Hanako, who didn't want her real name used, came to Toronto with her husband and two small children from Japan in 1979. She had no participation in the family's finances: Her husband did the banking, often online, worked with a financial adviser, purchased insurance and managed their overseas accounts.

But although she is university-educated, Hanako didn't know the basics of running a computer. "When I was a secretary, I had to deal with telexes so I am not supposed to be so ignorant about computers. I just have a blank because my husband was doing it." Maya, also a pseudonym, discovered her mother Hanako didn't know the difference between a credit card and a bank card, never mind how to use an automated banking machine (ABM).

She says one month after her father died, Hanako received a call purportedly from Canada Revenue Agency informing her that her husband had cheated on his taxes – something that could be settled with a $4,000 cash payment. The aggressive fraud attempt stunned Maya with the realization of how defenceless her mother was to anyone who wished to take advantage of her.

Kathy Waite, a fee-only financial planner in the Regina area, says not only are women like this easy prey for fraudsters but they are also sitting ducks for financial professionals who wish to push their own products on them, even with the best intentions.

She says the best advice for women who find themselves at sea with their finances after the loss of a partner is to just do nothing for a while.

"I always tell them not to rush into any changes," says Ms. Waite, who runs Your Net Worth Manager, a financial planning service with clients across Saskatchewan and, by remote, across Canada. "I always encourage them to ask questions and to get any answers in writing. At the risk of sound self-serving, I would say, go look for someone who doesn't sell things – someone who will just charge you for the advice and doesn't have a vested interest in selling a product."

She advises women to bring a friend – not necessarily a family member – to any financial meetings. She says often professionals will decide that "mom isn't coping" and turn their focus to the relative.

Ms. Waite says it is easier for women to break finances into smaller goal-oriented chunks, such as living debt free and leaving money for children, rather than swimming against a tide of jargon, including term insurance, TFSAs, RRIFs, debt securities and annuities.

In the case of Hanako, Maya filled a notebook with her father's financial documentation, points plans, his credit cards details, all the password and log-in information to begin to assemble the pieces needed to organize her mother's affairs. One first step was ensuring monthly bills got paid. That's how lessons in online banking and computer literacy began.

Between Maya, her sister in California, an adviser from their bank and a family friend knowledgeable about transnational banking, they were able to access her father's various accounts in Canada and Japan.

Fortunately for Hanako, there is enough money for a comfortable retirement. She owns a $450,000 home with no debt and has almost $500,000 in investments, registered retirement income funds and a tax-free savings account. She'll also receive her husband's pension, plus survivor insurance and government pensions. Money will be set aside for her children and for her favourite charity, Doctors without Borders.

Diane, a 64-year-old retiree from the Vancouver area, also struggled with a finance learning curve.

Like Hanako, she is financially comfortable since she and her ex-husband received a substantial payout when their home property was rezoned for townhouses. But her financial illiteracy left her frightened that she wouldn't be able to keep her unexpected $2.2-million nest egg safe.

Diane, also a pseudonym, was an administrator who paid into a company pension and also contributed to a registered retirement savings plan (RRSP). There were never major expenditures or debt at home, so her understanding of financial dealings was limited.

Once her common-law marriage ended and the family home was sold in 2012, she received the proceeds of her property sale on top of an adequate pension and RRSPs to live on. What she didn't have was any financial acumen to suddenly deal with investment decisions, taxation concerns or estate planning.

"I didn't have a clue how to invest it or preserve it or make myself secure. … They talk about how bonds go up and interest rates go down and it meant nothing to me," she says.

"Of course you go to different people and they all give you different ideas about what you should do with your money and they all tell you it's going to be safe. I felt very vulnerable and I felt that, now that I have this [windfall], I sure don't want to lose it." Fortunately, Diane met Annie Kvick, a fee-only adviser from Money Coaches Canada, in 2013 and together they put a plan in place.

First Ms. Kvick asked Diane to fill out a questionnaire that asked her to outline her life and financial goals. The Vancouver-based adviser was then able to advise Diane on how to invest her money and set a budget for the purpose of buying a new place to live.

Diane moved into a $750,000 home and the bulk of her money was moved into investments with the twin goals of safety and growth. She plans to help out some relatives financially, as well as travelling.

She says she had looked around to educate herself but found few resources available. "I even asked at the credit union for really simple courses for people like me that would just explain the benefits and the drawbacks of bonds and mutual funds. … But there's no progressive learning plan. I would really like to have something like that but I don't know where to find it."

Five steps for widowed or divorced retirees

Losing a partner is traumatic but financial awareness could exasperate the grief and anxiety. Here's what you should do:

1. Other than pay the bills, do nothing until you are in a steady emotional state to weigh the consequences of significant financial changes.

2. Seek out independent advice. Many financial company advisers work on commission and have a vested interest in selling you products and services. Seek out a fee-only planner.

3. Bring a friend to any financial meeting (not a relative). The adviser may assume you aren't coping or aren't interested in the advice and will focus on you son or daughter. Also, a friend helps verify what was discussed.

4. Get everything in writing. If you are unsure of financial terms, a discussion can touch on many goals and means to reach them. Get your planner to set out exactly what they propose to do with your money.

5. Take friends' and relatives' advice with a grain of salt. With the best intentions, people will advise you to move out of your home or buy insurance. Few of them would have an overarching view of your life and financial goals like a trained professional would. But be kind – they mean well.