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Welcome, my name is Andrew Barron, and this is Well… It Depends! The podcast where I address financial decisions that can't be answered with a simple yes or no. In this episode, I ask the question, is tax planning different after the death of a spouse? But before we begin, a short disclaimer,

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This is being recorded on February 28th, 2025. The contents of this podcast are strictly for informational purposes only, and nothing said should be taken as investment, tax or legal advice. It is important to consult with a professional before making any financial decisions as to strategies discussed may not be suitable for a specifically.

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Today, we're diving into how the loss of a spouse not only impacts your life emotionally, but also transforms your financial landscape, particularly the realm of taxes.

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We'll unpack the intricacies of Social Security survivor benefits, required minimum distributions, and the inevitable changes in your tax filing status.

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Social security survivor benefits are distinct from your regular retirement benefits, with their own unique rules. If you are a surviving spouse, you can begin receiving these benefits as early as age 60, which is separate from your own retirement benefits.

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This setup allows you to potentially claim survivorship benefits early while letting your own retirement benefits accumulate. Optimizing the total benefits received over a lifetime. However, these benefits are subject to federal income taxes based on your total combined income, which can affect your tax burden if your deceased spouse was already taking required minimum distributions, also known as RMDs, from their retirement accounts, you face an important choice you can either transfer their assets into your own IRA and delay RMDs until you reach the age of either 73 or 75, depending on the year of your birth, or you can continue to take distributions as a beneficiary.

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Each option has different implications for your tax situation and may affect your future financial needs. After the death of a spouse, you will have to shift from filing as married filing jointly to another status for up to two tax years following your spouse's death. You may qualify as a qualified widow or widower, which allows you to maintain the benefits of the married filing jointly status.

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After this period, you will need to file a single, which typically results in higher tax rates and potentially higher tax liabilities due to narrower tax brackets and reduced deductions.

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To recap, in today's episode, we explored how tax planning changes after the loss of a spouse. We looked at Social Security survivor benefits, decisions around RMDs, and how your tax filing status will evolve as each financial scenario is unique.

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Consulting with a tax professional to tailor advice to your specific circumstances is crucial. To summarize, after the loss of a spouse, it's essential to reassess your Social Security strategy. Understand the best approach to RMDs and prepare for changes in your tax filing status. Planning these aspects carefully is key to maintaining financial stability during such a challenging time. So, to answer the question, is tax planning different after the death of a spouse? Well… It Depends!