

PLANNING FOR THE REALITY OF LIVING WITHOUT A SPOUSE

You've spent years working with your financial professional to build a holistic retirement plan designed to support you in each phase of retirement. However, it's now time to ensure that your plan helps protect you and your spouse from the financial challenges of widowhood.



With Americans living longer than ever, retirement can span 20, 25, or even 30 years. While those years can be celebrated as a gift, they do come with a somber reality: for married couples, those extra years won't necessarily be spent together.

It's especially important for women to consider how they might navigate later years on their own, since statistically they are more likely to outlive a male spouse. In recent years, widows accounted for almost 30% of all women over 65—more than 9 million people. That's over three times the number of widowers.¹

Understanding the financial challenges of widowhood

It's hard to face the reality that during one of life's most difficult transitions, the death of your spouse, your retirement plan may no longer support you. This often stems from the significant financial challenges that occur after the loss of a spouse, such as:

- 1 Reduced income:** If both you and your spouse are receiving Social Security benefits when your spouse passes, you will only continue to receive the higher of the two benefits. Additionally, if your spouse is still working before they pass, you'll lose that income.
- 2 Higher taxes:** In the first year after your spouse's passing, you may still be able to use the more favorable Married Filing Jointly tax brackets, and for the next two years you might qualify as a Qualifying Surviving Spouse if certain requirements are met. However, once those options expire, you'll eventually transition to filing as Head of Household or Single. These filing statuses generally lead to higher taxes, because the brackets are narrower—meaning you hit higher tax rates sooner—and the standard deduction is smaller.
- 3 Increased Medicare premiums:** Medicare costs can change after the loss of a spouse. If your income rises into a higher tax bracket, your Income Related Monthly Adjustment Amount (IRMAA) may increase. This can mean paying more for Medicare Part B and Part D. However, the death of a spouse is considered a life changing event, which means you may be able to appeal an IRMAA increase. Many widows and widowers qualify for this adjustment, potentially lowering their Medicare premiums.



Consider this

An average widow's income can drop up to

35%

after her husband passes away.²

INVESTMENT AND INSURANCE PRODUCTS ARE:

- NOT FDIC INSURED
- NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY
- NOT A DEPOSIT OR OTHER OBLIGATION OF, OR GUARANTEED BY, ANY BANK OR ITS AFFILIATES
- SUBJECT TO INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED

- 4 **Fixed costs:** It's also important to remember your overall retirement plan still needs to help support the essential expenses that don't go away. Costs such as your mortgage or rent, property taxes, car payments, utilities, etc. will continue, even as your income potentially decreases.
- 5 **Financial decision-making during a difficult time:** After losing your spouse, you may suddenly find yourself responsible for every financial decision, big and small. Becoming the sole decision maker while grieving can feel overwhelming. You may also face new tasks for the first time, such as settling your spouse's estate or updating your own estate plan. Some choices need to be made quickly and can have lasting effects. This is when having a trusted financial team around you becomes incredibly valuable. Your team can help explain your options clearly, give you advice, and guide you through practical steps like updating your will or filing a Medicare appeal.

A product designed for protection: Life insurance

As you plan for every stage of retirement, including the possibility of widowhood, consider the important role life insurance can play as part of a holistic financial plan. At its heart, life insurance is designed to help provide financial protection. When you and your spouse have individual policies, you each know that no matter who passes first, the other will receive money to help settle the estate, pay down debts like a mortgage, and provide a financial cushion to offset a drop in income.

In addition, many life insurance policies offer valuable benefits while you're still living. Depending on your policy, you may be able to access accumulated cash value as a potential source of supplemental income or use a portion of the death benefit if you're diagnosed with a chronic or terminal illness.



Talk to your financial professional about ensuring your retirement plan accounts for the potential impact of widowhood, so both you and your spouse remain protected, no matter what the future holds.



¹ 2023 Profile of Older Americans, Administration for Community Living, an operating division of the U.S. Department of Health and Human Services, published May 2024.

² Bour, Nick. "Three Ways to Help Create Financial Stability for a Widow." Kiplinger, December 16, 2024. <https://www.kiplinger.com/retirement/ways-to-help-create-financial-stability-for-a-widow>.

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