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CHUCK JAFFE

Talk about survivor plans

By Chuck Jaffe, MarketWatch
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VAIL, Colo. -- Before leaving home to play in a lacrosse tournament here this week, I told my wife Susan it was time to take for a refresher course in home economics, specifically the economics of our home if anything should happen to me.

My wife, the most patient and understanding woman in America, has put up with taking the "What if Chuck's dead quiz" at least once annually (and usually twice) for many years. Susan hates these disaster-preparedness talks, and tries to keep them as short as possible.

But when it comes to survivor issues, out of mind does not necessarily keep them out of sight. Behind the statistics and newspaper headlines are real survivors who eventually must get on with their personal and financial lives.

In my quiz, I ask my wife about who she would need to call if something happened, and where the basic papers are.

The people-to-call list includes the life insurance agent, the stockbroker, the human resources department for my employer, and the attorney. The papers include will, insurance policies, investment account information and the like.

If Susan had her way, the talk would stop right there.

Years ago, in interviewing the authors of "Widowhood: Beginning Again Personally and Financially" -- my favorite book on the subject -- I learned that the basic information is a starting point, but it only goes so far.

Planning ahead

A "survivor's plan" takes things much further, because it talks less about money and possessions and more about how to carry on.

While Susan may think it's enough to know how to call the stockbroker, she would be far better served by having some guidelines from me on why each investment was picked, under what conditions I would sell and so on. Having interviewed many widows through the years, one common issue that emerges is that they frequently don't know how their spouse would have handled a specific investment or situation.

Often times, these situations can be figured out in advance; an investor can outline a selling criteria, for example, which makes it clear under what conditions they would make a change. That makes it easy for the surviving spouse to avoid the indecision that often comes after a personal trauma.

And while Susan wants the quiz to be quick, understanding how much money she and the kids would have to live on -- and what living on that amount would actually be like -- is crucial. Numbers in life insurance policies may sound big, but they can't make up the earnings power that could come with the rest of a lifetime, and they may not fully replace lost income.

Survivors should not be shocked at what a disaster does to their financial life. Nor should they be in a situation where they aren't allowed to grieve because financial realities become pressing or because they lack enough information and have to do research into just what types of assets they have and how to access them.

I did give Susan a break on the quiz this time, however, thanks to two recent tools that I think a lot of consumers could benefit from.

The "Beneficiary Directory," developed by financial adviser Mark Kaizerman, allows a consumer to organize important documents and guide the people who will inherit the assets in the case of a catastrophe. While the information in the book is appropriate for spouses, it is particularly good for people who will have to help older parents deal with end-of-life issues.

Similarly, Joseph Hearn, Niel Nielsen wrote "If Something Happens to Me," a workbook to help people organize their financial affairs. If you add personal instructions on items like investments to the comprehensive system in the book, virtually every conceivable area is covered.

That's why I cut the talk short with Susan this year, and spent the time instead preparing her a booklet. That way she doesn't necessarily need to have the quiz so often, so long as she understands where to go -- and what she will find there -- if or when the time comes.

For all couples, knowing how to cope with these ultimate problems brings some peace of mind to an otherwise horrible situation. So while talking about this stuff may seem scary and morbid, it is necessary and probably overdue for almost everyone.

Susan may take the quiz less in the future, but I will go off on my travels knowing she has complete control -- and instructions -- for everything that is likely to affect her.

Material girl

It was hard not to chuckle at the story from In Touch Weekly which had Madonna as giving her nine-year-old daughter Lourdes a credit card with a $10,000 limit because she wanted to teach the child about "the value of having cash."

I'm not sure a credit card -- where the bills come later and you never see the money flow out of the account -- can actually teach the value of cash. I think kids learn best about cash when they have a little bit of it, and then see it go away when they spend it.

Perhaps, instead of the credit card, Madonna should have started with, say, an allowance, and not one with a few zeroes to the left of the decimal point.

The worst part of the story?

The publicity over Madonna's actions will spur ordinary folk to try it too, seeing if they can work around the normal rules and corporate restrictions to get cards for their much-younger children.

Maybe Madonna was right when she said that we're living in a material world, but she failed to mention that most people are paying for that lifestyle through credit card debt, and encouraging youngsters by giving them high value credit cards will not help the situation.

Chuck Jaffe is a senior MarketWatch columnist. His work appears in dozens of U.S. newspapers.