Financial Planning for Texas Surviving Spouses: The First Year

What every Texas surviving spouse should know about portability elections, community property, Social Security survivor benefits, and the first-year decisions that cannot be undone.

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Two weeks after the funeral, the kitchen counter in a Fort Worth home tells a quiet story: unopened mail from insurance companies, Internal Revenue Service notices, brokerage statements, and unsolicited "financial review" offers all arriving in the same week. Every envelope feels equally urgent, and every wrong move feels permanent.

At Palmer Wealth Group™, we have walked alongside many surviving spouses through this moment. Effective wealth management strategies in the first year rarely involve sweeping financial decisions. They focus on the narrow deadlines that cannot be missed and the irreversible choices that shape the next twenty years.

Why the First Year is the Highest-Stakes Year of a Surviving Spouse's Financial Life

The household that ran on shared routines has lost half its decision-making infrastructure. A 2024 Thrivent survey of more than 400 widowed women found 51 percent were living paycheck to paycheck, only 5 percent had a written financial strategy, and only 6 percent met regularly with a financial advisor before the loss. Federal Reserve Bank of Chicago research documents an average $5,500 drop in individual annual income after a spouse's death. For the sub-ultra-high-net-worth households we serve, the financial floor is higher, but the structural complexity is not. We explored this segment in The $5-30 Million Gap: Why Sub-Ultra High-Net-Worth Clients are Underserved.

The Behavioral Trap of Acting Too Fast

The most consistent pattern we see is the impulse to "fix" the financial picture quickly. A grieving spouse pays off the mortgage to feel safer, sells the family home before the second tax year closes, or signs paperwork with the first advisor who calls. Each decision might prove correct, but rarely in the first sixty days.

> "The first year is a moment of triage, not execution."

A Narrow Window Where Most Decisions Are Reversible (Except the Ones That Aren't)

A short list of items has hard deadlines. Internal Revenue Service Form 706 is due nine months from the date of death, with a six-month extension available. Any year-of-death required minimum distribution (the annual withdrawal required from tax-deferred retirement accounts) must be satisfied by December 31. The two-year window for the $500,000 home-sale exclusion under Internal Revenue Code §121(b)(4) starts immediately. The Social Security $255 lump-sum death payment must be claimed within two years. Locating estate planning documents (the will, any living trust, power of attorney, healthcare directives or living will, and life insurance policies) is a parallel first-month task.

What to Defer: Decisions That Will Be Better in Twelve Months

If a decision is irreversible, can be made in twelve months with better information, and is not driven by a hard deadline, our default guidance is to wait.

Selling the Home: The Two-Year §121 Window and Why Speed Costs Money

A surviving spouse may exclude up to $500,000 of gain on the sale of a primary residence under Internal Revenue Code §121(b)(4), but only if the sale closes within two years of death and the survivor has not remarried. After that, the exclusion drops to $250,000. In Texas, the community property double step-up under Internal Revenue Code §1014(b)(6) may eliminate federal capital gains exposure entirely at the first death if the home is titled correctly.

> "Speed serves the salesperson, not the surviving spouse."

Large Gifts, Lifestyle Changes, and Mortgage Payoff

The Thrivent survey found 39 percent of widowed women carried more than $25,000 in debt at the time of the loss, with 10 percent carrying more than $100,000. The reflex to wipe out the mortgage or make large gifts to adult children often drains the cash flow the survivor needs most. McKinsey and Bloomberg both estimate women will control $30 to $34 trillion in U.S. financial assets by 2030. We explore lifetime gifting in Spousal Lifetime Access Trust Texas: The $30M OBBBA Opportunity.

Firing the Advisor, or Hiring a New One, Under Emotional Duress

The widely cited statistic that 70 percent of widows fire their advisor within a year has been challenged. A reanalysis by Ken Kehrer and Luke Allchin, using the RFI MacroMonitor database of more than 7 million U.S. widows, found roughly 14 percent of recent widows in households with $150,000 or more in financial assets ended an advising relationship. That is three times the all-household average, but far from a universal pattern. The decision to keep, change, or add advisors deserves the same diligence as any other major financial decision.

Surviving Spouse Financial Planning in Texas: The Time-Sensitive Filings

Three items form the core of a sound first-year tax strategy: the portability election, the Texas community property double step-up, and the Social Security and filing status decisions that anchor the first two years.

The Portability Election: Form 706, the Nine-Month Deadline, and the Five-Year Fallback

Under Internal Revenue Code §2010(c)(5)(A), the executor of the first spouse's estate may elect to transfer the deceased spousal unused exclusion AMOUNT (the unused portion of the deceased spouse's federal estate tax exemption) to the surviving spouse. The One Big Beautiful Bill Act, signed July 4, 2025, made the basic exclusion permanent at $15 million per individual and $30 million per married couple beginning January 1, 2026.

The election is made by filing Form 706 within nine months of death (a six-month extension is available via Form 4768). Revenue Procedure 2022-32 extends the window to the fifth anniversary of death for estates not otherwise required to file under §6018(a). The generation-skipping transfer tax exemption is not portable, the deceased spousal unused exclusion amount is not indexed for inflation, and a surviving spouse who remarries and is predeceased by the second spouse loses the first spouse's unused exclusion. Estate attorneys report Form 706 preparation fees of $1,500 to $15,000, so households well under $15 million should consider a written cost-benefit analysis with their estate planning attorney before incurring the cost or accepting the future tax liability of skipping the election.

The Texas Community Property Double Step-Up, and How Titling Can Forfeit It

Texas community property laws make a meaningful difference at the first death. Under Internal Revenue Code §1014(b)(6), when at least half the community interest in an asset is included in the deceased spouse's gross estate, both halves receive a basis adjustment to fair market value. Property held as "community property with right of survivorship" qualifies; joint tenancy with rights of survivorship typically receives only a one-half step-up. The distinction is a matter of deed and cannot be cured after death. Income in respect of a decedent (traditional Individual Retirement Accounts, 401(k)s, and most annuities) does not receive a step-up. We discuss the broader framework in Step-Up Basis vs. Gifting Assets: The Transfer Decision. Texas titling and asset protection questions should be confirmed with a qualified estate attorney.

Social Security Survivor Benefits, the $255 Claim, and the Year-of-Death Tax Return

Social Security benefits for a surviving spouse begin at age 60 (50 if disabled), at 71.5 percent of the deceased worker's Primary Insurance Amount, rising to 100 percent at the survivor's full retirement age. Survivor benefits are not subject to the deemed filing rule, so a survivor may claim one benefit and switch to the other later; we discuss the broader stakes in Why High-Earning Households Should Treat Social Security as a Two-Million Dollar Decision. Remarriage before age 60 forfeits eligibility on the deceased spouse's record. The $255 lump-sum death payment, fixed since 1954, must be claimed within two years and cannot be filed online. Filing status is a separate decision: the surviving spouse may generally file Married Filing Jointly in the year of death if not remarried, and Qualifying Surviving Spouse status is available for two tax years after only if the survivor has a qualifying dependent child. Internal Revenue Service Publication 559 details these rules.

Inherited Retirement Accounts: The Spousal Decisions You Cannot Undo

Under the SECURE Act and SECURE 2.0 (Public Law 117-328), as clarified by Internal Revenue Service Final Regulations Treasury Decision 10001 issued in July 2024, surviving spouses are Eligible Designated Beneficiaries with four distinct options for retirement planning. Updating beneficiary designations on every account is also a first-year priority.

Spousal Rollover vs. Inherited IRA, and the Year-of-Death RMD

The most common election is the spousal rollover, in which the surviving spouse treats the deceased's Individual Retirement Account as their own. Required minimum distributions reset to the survivor's required beginning date (age 73 for those born 1951 through 1959; age 75 for those born 1960 or later), and the survivor may name new beneficiaries. The cost is the loss of the 10 percent early-withdrawal penalty exception for survivors under age 59 and a half; those who need liquidity may instead leave the account titled as an inherited IRA. If the deceased had begun required minimum distributions and had not satisfied the current year's distribution, the survivor must take the remainder by December 31 of the year of death.

The New SECURE 2.0 §327 Spousal Election: When It Wins

SECURE 2.0 §327, effective in 2024, created a fourth option. The surviving spouse may elect to be treated as the deceased for required minimum distribution purposes, deferring distributions until the deceased would have reached their required beginning date and then using the more favorable Uniform Lifetime Table. The election is most advantageous when the surviving spouse is younger than the deceased and does not need current income.

What to Never Sign: Predatory Pitches, Scams, and the Advisor Handoff

The financial services industry knows when a spouse dies. The volume of unsolicited outreach in the first ninety days is its own kind of stress, and a meaningful share of it is predatory.

The Pitches: Annuities, Insurance, and "Estate Restructuring"

We see three common pitches in the first year. The first is a high-commission fixed indexed annuity sold as a safe replacement for a "volatile" portfolio. The second is an "estate restructuring" proposal that recommends new policies funded by the deceased spouse's life insurance proceeds, solving a problem the household may not have under the $30 million combined exemption. The third is the urgent "review" offer from a name vaguely recognized through church or a neighborhood network. These pitches share urgency and an information asymmetry that favors the seller. Major portability, §327, and basis decisions should not be made under sales pressure, and a new power of attorney should not be signed at one either.

Elder Financial Exploitation: Why Widows Are Disproportionately Targeted

The Federal Bureau of Investigation's Internet Crime Complaint Center 2025 Annual Report documented 201,266 victims aged 60 or older reporting more than $7.75 billion in losses. Average reported losses exceeded $38,500. Recently widowed women in higher-net-worth households are a particular focus because grief, public visibility, and a long-managed but newly solo balance sheet create the conditions criminals look for. The Consumer Financial Protection Bureau's Surviving Spouses resource set offers a structured response framework.

The Advisor, Attorney, and CPA Handoff: When to Stay, When to Switch, and How to Decide

The 14 percent advisor-change rate is a reminder that most widows do not switch. The question is whether the existing advisor, attorney, and certified public accountant understand the surviving spouse's full financial picture rather than the household-as-it-was. Three questions inform our recommendation. First, does the existing advisor know the surviving spouse, or did the relationship live primarily through the deceased? Second, does the advisor operate as a fiduciary, with transparent fees and documented planning? Third, does the advisor coordinate estate planning, tax planning, retirement planning, and investment management with the attorney and certified public accountant? We addressed the broader topic in [Why Your Estate Plan Might Not Protect Your Legacy (And How to Fix It)].

Frequently Asked Questions

Q: Do I get a step-up in basis on my Texas home when my spouse dies?

In Texas, you may receive a full basis adjustment to fair market value on both halves of community property under Internal Revenue Code §1014(b)(6), but only if the home is titled correctly. Property held as "community property with right of survivorship" qualifies; joint tenancy with rights of survivorship typically receives only a one-half step-up. The distinction is determined by the deed and cannot be retroactively cured. Confirming current titling with a Texas estate attorney is a worthwhile early-year action.

Q: Do I need to file Form 706 if my estate is under $15 million?

You are not required to file Form 706 if the first spouse's gross estate is under the $15 million federal threshold established by the One Big Beautiful Bill Act for 2026, but you may want to file to elect portability. The election preserves the deceased spousal unused exclusion amount under Internal Revenue Code §2010(c)(5)(A), allowing the surviving spouse to use any remaining exemption at a later date. Revenue Procedure 2022-32 allows filing up to the fifth anniversary of death for estates not otherwise required to file. The decision deserves a written cost-benefit analysis with your estate planning attorney.

Q: What is the Social Security lump-sum death payment and how do I claim it?

The Social Security $255 lump-sum death payment is a one-time benefit paid to an eligible surviving spouse or qualifying child under Social Security Administration rules. Fixed at $255 since 1954, it is not inflation-adjusted. You must claim it within two years of the spouse's death, and it cannot be filed online; the Social Security Administration requires a phone call to 1-800-772-1213 or an in-person office visit. The lump sum is administratively small. The monthly survivor benefit, governed by the deceased's earnings record and the survivor's age at claim, is typically the more significant household income decision.

Q: Do most widows change financial advisors after their spouse dies?

No. The widely cited claim that 70 percent of widows fire their advisor within a year has been challenged by independent research. A reanalysis by researchers Ken Kehrer and Luke Allchin, using the RFI MacroMonitor database of more than 7 million U.S. widows, found roughly 14 percent of recent widows in households with $150,000 or more in financial assets ended an advising relationship. That figure is about three times the all-household average, but far from a universal pattern. The right question is whether the existing advisor relationship serves the surviving spouse as the primary decision-maker.

Q: Can I file taxes jointly the year my spouse died in Texas?

Yes, in most cases. The Internal Revenue Service treats you as married for the entire year of your spouse's death, provided you have not remarried that year. Married Filing Jointly is available and typically produces the lowest combined tax bill for that year. For the two tax years after the year of death, Qualifying Surviving Spouse status preserves Married Filing Jointly rates and the standard deduction, but only if you have a qualifying dependent child. Without a qualifying dependent, you generally file Single or Head of Household. Internal Revenue Service Publication 559 details these rules.

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