

NAVIGATING DIVORCE

The secret of change is to focus all of your energy not on fighting the old, but on building the new. — Socrates





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In today's modern world, divorce can create extreme emotional and financial challenges for all involved. If there are children involved, the level for complexity becomes even more challenging.

The following guide contains a foundation of resources designed to create a sense of clarity when envisioning your transition into the divorce process. Remember, it is a difficult process but you can navigate it more successfully if you approach it with a plan rather than focusing on the fear of the unknown. Everyone's situation is different and you have the power to create your own story.

ESTABLISH YOUR DIVORCE TEAM

Therapist • Family and youth counselor • Divorce attorney • Mediator • Tax attorney • Financial advisor

TAKING A TEAM APPROACH to address all the pieces of the puzzle is essential, particularly when you are experiencing a life transition. There are many moving parts that need to be addressed, the way you had things set up in the past most likely will not be effective for where you are today. The investment planning process is fluid and dynamic. Needs evolve as one's life progresses and it is essential that all service providers are aligned and in sync to respond with personalized solutions. Without professionals working on your behalf, in our experience, strategies can often be overlooked.

CREATE CLARITY BY INTEGRATING YOUR INVESTMENT PLAN TO REFLECT YOUR DIVORCE TRANSITION

An investment plan can become obsolete the moment a significant change occurs in your life. An asset and risk management process that is holistic and consistent complements a personalized investment plan while still allowing for mid-course corrections as life unfolds. A well-defined process outlines a clear strategy to help build, manage, preserve and transition wealth. These strategies are based around the four corners of Wealth Management – Financial strategies, Liability Management, Risk Management and Legacy Planning.

HAVE AN UNDERSTANDING OF YOUR EXPENSES

Taking a long view to sustainable success can bring a sense of confidence when looking at your new future. You will feel a greater sense of confidence by having a clear understanding of what the costs are to maintain your lifestyle. Many times with transition comes change and you need to understand how the spending choices you make today will impact you in the future. Income and outflow must be clearly defined to help ensure the trajectory is accurate and aligned with investment goals. Mid-course corrections based on market fluctuations and other external issues are easier to make when the financial picture is all-encompassing.

GATHER FINANCIAL DOCUMENTS

Having an organized and secure hub for easy access is critical. Establish a hub where you keep all financial related information.



Do not go where the path may lead,
go instead where there is no path
and leave a trail.

— Ralph Waldo Emerson

- Birth and death certificates; marriage license; divorce related agreements; citizenship papers; deeds; car titles; mortgage agreements; inventory and photos of household property.
- Keep all of your children's documents together in a separate file. All birth certificates, social security cards, Immunization records for school, names of new and old doctors with address and telephone numbers.
- Trust documents (if created by you or for the benefit of you, your spouse, or your children).
- Tax returns, including documentation for prior 6 years.
- Insurance policies.
- Bank, brokerage and mutual fund statements.
- Mortgage statements.
- Employment documents, including booklets on group insurance and retirement plans, employment agreements, deferred compensation agreements, stock option plans, Keogh, IRA documents and current benefit statements.
- Business documents, such as partnership agreements, tax returns, stock redemption/buy-sell agreements and financial statements.
- Your tax and legal advisors may recommend additional items specific to your situation.

SPEND TIME ENVISIONING THE NEW LIFE YOU WANT TO CREATE

Getting out in front of the situation with a pro-active and sequential approach will likely bring a much clearer and successful path to your future. Transition is not normally something that we choose but often a situation that is dropped on us. It is important to not let the transition define you but rather you take control through investment planning to decide where you want your future to go. Being clear about risk tolerance, expectations and staying focused on clearly set goals help you see past short term obstacles and tune out the noise and distractions that can cause you drift off track.

PROTECTING YOUR WEALTH

A divorce is one of the most difficult transitions you can go through. When you add uncertainty about money, that transition can get even more stressful. Here are six steps to help keep your finances intact during—and after—a divorce:

STEP 1. ASSESS YOUR FINANCES AND MAKE A BUDGET

As divorce proceedings get underway, take stock of your finances. Start by reviewing your income, retirement accounts, investment portfolio, and insurance policies. Next, make a budget that reflects your income and projected monthly expenses.

STEP 2. TARGET SHARED DEBTS FIRST

Debt on joint accounts can be problematic. Whatever your divorce agreement says, creditors will continue to consider both of you liable for the shared debt. Keeping those accounts open may pose problems later if your former spouse falls behind on payments.

STEP 3. DIVIDE ASSETS THOUGHTFULLY

You and your former spouse may agree about dividing shared assets equally. There's more to consider than the relative size of each party's share—namely, tax implications and liquidity needs. For assets that come with tax obligations, the higher-earning spouse will likely take the

greater tax hit from keeping them while the lower-earning spouse may struggle with paying the taxes for them.

STEP 4. REVIEW YOUR RETIREMENT GOALS

The costs and financial changes that come with divorce can set back your retirement plan. Check to see how the terms of your divorce may alter your path toward your retirement goals.

STEP 5. REVISE YOUR WILL AND ACCOUNT BENEFICIARIES

In general, a divorce won't automatically remove a former spouse as the primary beneficiary of your estate and other assets, depending on state law. Designate new beneficiaries for your estate, life insurance, annuities, and retirement accounts.

STEP 6. MAKE A PLAN B

Keep money in an emergency fund to cover expenses, such as childcare, in the event your ex-spouse fails to pay. Also, ask your lawyer about ways to guard against nonpayment in the divorce agreement.

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POST DIVORCE CHECKLIST

DOCUMENTS TO KEEP HANDY

FINANCIAL

- ❑ Keep all payments and receipts for alimony and child support as well as any credit cards or loans paid off by you or your spouse. Make copies of all checks you send or receive. Keep a log of all checks with dates and amounts.
- ❑ Tax returns, including documentation for prior 6 years; insurance policies; bank, brokerage and mutual fund statements; mortgage statements; employment benefit documents, including booklets on group insurance and retirement plans, employment agreements, deferred compensation agreements, stock option plans, Keogh, IRA documents and current benefit statements; business documents, such as partnership agreements, tax returns, stock redemption/buy-sell agreements and financial statements.

ADDITIONAL THOUGHTS TO HELP

FINANCIAL

- ❑ Close and change names on all joint accounts. Make sure all credit card bills and loans are promptly paid and closed by you or your spouse if responsible.
- ❑ Change your name on all your documents, bank statements, etc. (as needed).
- ❑ Check investment accounts to see ownership of stocks, bonds and mutual funds are properly listed.
- ❑ Open a checking/savings account in your name.
- ❑ Set up a liquid account with up to 3 to 6 months of cost-of-living expenses in a money market fund or a Certificate of Deposit (CD).
- ❑ Change your beneficiaries on all Life Insurance policies, etc.
- ❑ Change beneficiaries on all Retirement and Pension accounts.
- ❑ Establish your own credit history. Open a credit card in your name.
- ❑ Review tax withholding amounts for necessary modifications.
- ❑ If you have a QDRO (Qualified Domestic Relations Order) make sure it's done.

LEGAL

- ❑ Birth and death certificates; marriage license; divorce-related agreements; citizenship papers; deeds; car titles; mortgage agreements; inventory and photos of household property.
- ❑ Keep all of your children's documents together in a separate file. All birth certificates, social security cards, Immunization records for school, names of new and old doctors with address and telephone numbers.
- ❑ Trust documents (if created by you or for the benefit of you, your spouse, or your children).
- ❑ Update will and living will; powers of attorney (financial and health-care).
- ❑ Make a copy of your final judgment and settlement agreement. Keep the original in a safe or safe deposit box.

LEGAL

- ❑ Go over your settlement agreement — go over details with your attorney or your financial advisor to make sure everything is completed.
- ❑ Health insurance — Be sure to revise coverage for spouse and/or dependents depending on divorce decree.
- ❑ Have your spouse's name taken off of the mortgage or lease for the house or apartment.
- ❑ Make sure you transfer ownership of all deeds for your homes and that they are on record at the appropriate county recorder's office.
- ❑ Execute a new will or trust. Designate guardians for your children if necessary.
- ❑ Change title on your automobiles and boats, if necessary.
- ❑ Change over your automobile insurance.
- ❑ Change your name with Social Security (as needed).
- ❑ Change your name on your driver's license (as needed).
- ❑ Your tax and legal advisors may have additional items for you to consider.

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