

LIFE'S KEY MOMENTS



Divorce

OVERVIEW

Whether the end of a marriage is a welcome conclusion or a sad parting of ways, the process of separating a household is difficult for everyone involved. You may be grieving the loss of a significant relationship, but also the loss, or substantial change, to your financial picture. While your situation has unique elements, know that divorce is a reality for many (45% of marriages end in divorce within 15 years¹), and there are resources and experts to help you move forward. Few life events carry the emotional weight that divorce does, as you will reflect on your past, take stock of your current situation, and then step forward into a newly defined future.

Assemble a Team and Get Started



Ensuring you have a solid team of support people in place is key to navigating the challenges of divorce. Start with the family and friends you can lean on for emotional encouragement during this process. Recognize that your emotional state will have a strong influence on the pragmatic decisions you will have to make, so taking care of yourself should be a priority. Next, identify your team of trusted professionals who will help you navigate the divorce process, which generally includes a tax professional, an attorney, and an insurance professional. Your team of professionals will work with you to mitigate the financial and emotional toll a divorce can take on your life and provide sound guidance to map a path forward. Your financial professional is here to help you coordinate or identify this team of trusted professionals and, with your consent, can communicate with the rest of your team to ensure consistent and efficient progress. As you discuss your future with your various advisors, remember to consider both your immediate and long-term goals and needs.

While the divorce will take time to finalize, certain aspects of divorce are important to note promptly. Be sure not to sign any documents from your spouse or move out of your house until you have consulted your attorney. Consult with your attorney about the need to close or freeze joint or shared accounts immediately. Make a plan to update your health insurance within 60 days following any loss of coverage.

Determine Your Financial Health

After you have your team in place and have made any time-sensitive decisions, start to take stock of your current financial position. While these figures will be estimates until the divorce is final, it is important to start to define your projected expenses, income, assets, and debts in order to reevaluate your individual cash flow needs and financial plan going forward. If needed, leverage your team of professionals to help you to gather this information (from tax returns, credit reports, accounts statements, etc.).

Think about where you hope to stand financially after divorce, and carefully consider what you value most before entering the negotiation process. It may become apparent in these discussions that your projected income and spending don't line up in the same way that they did before. As you map out your desired outcomes, make sure that your post-divorce income can cover the expenses and debts associated with any assets you hope to retain. Discuss all your options and priorities with your team so you can work together to create a sound financial plan for your new future.

 Do's	 Don'ts
<ul style="list-style-type: none">• Prepare a budget and plan to sustain you until your divorce is final.• Review monthly financial statements and make copies for your attorney.• Review and document the contents of any safe-deposit boxes and significant tangible assets in your home.• Find emotional support for yourself through family, friends, a support group or a therapist.	<ul style="list-style-type: none">• Do not make large purchases or create additional debt.• Do not quit your job.• Do not move out of the house before consulting with your attorney.• Do not transfer or give away assets that are jointly owned.• Do not sign <u>any</u> document without reviewing it with your attorney or team of professionals.





Plan for Your Children

As you navigate the particularly challenging conversations regarding the care and custody for your children, leverage your team to ensure that your child(s) well-being is kept at the heart of any decisions. Some decisions are more logistical, like whose health insurance will cover your children or who will claim them as dependents for tax purposes. Other decisions are more subjective and complex, like where your children will live or how joint custody will be managed. You will need to determine any child support and how much each of you will contribute to the myriad of costs for your children, such as college savings, subscriptions, memberships, sports, and activities. Keep in mind that these costs, and therefore any child support, may change as your children get older.

Children are keenly aware of things going on around them, so it can be helpful to openly discuss, in an age-appropriate way, your divorce and what it means for them. Make a parenting plan with your ex-spouse for how you want to address these conversations with your children. While your love and support are of paramount importance for your children, they will need their own support system through the divorce process as well, so take time to identify the people and resources they will need to cope with such a significant change in their life.

Division of Assets

Often the division of assets feels to be the heart of the divorce process, and the root of many strong emotions. Keeping your above plan in mind, discuss how you will divide your assets, including investments, savings accounts, cars, and property. Remember that an equitable division of assets may not mean a 50/50 split of everything. There will be a give and take necessary to reach an agreement. In instances where there are indivisible assets, one ex-spouse would take ownership of that asset in lieu of a share in other assets, or you could retain shared ownership (if your relationship remains amicable and you can coordinate with your legal and tax professionals and formalize a written agreement).

Be prepared to adapt to unforeseen changes. For example, tax law changes may make a formerly equitable prenuptial lopsided, and valuations of assets could now be different. Lean on the expertise of your team to clarify your specific situation and how best to proceed. Or perhaps the dissolution of your marriage is fairly amicable, in which case the process may not be as arduous as you anticipate. In fact, if you and your spouse are able to work cooperatively, many states offer resources and paperwork you can complete with only a limited need for an attorney. You could also consider working with a mediator instead of an attorney — it could be easier for both parties and the costs could be significantly lower.

Make a New Spending Plan

While it may be challenging to look forward, it can be beneficial to define and pursue new goals as you open the next chapter of your life. Once your divorce proceedings are complete, your financial professional will work with you to finalize your individual financial plan and/or estate plan to reflect your new solo journey with revised goals and priorities. Define your short-term goals (like outlining your new budget or re-establishing your emergency savings) and long-term goals (like purchasing a new home or transitioning to a new career) for this next chapter of your life. Once again, leverage your team of professionals to address other items pertaining to your new financial picture, like consulting your Social Security benefits advisor to determine whether you qualify for and want spousal Social Security benefits, or your tax advisor to assess how your tax liability has changed.

Why We Can Help

Divorce can significantly alter the trajectory of your life, but with the proper team in place, the outcome can help leave you on solid footing to move forward. As with so many noteworthy decisions, some will be cut and dry while others will be laden with sentimental baggage. Your team can help you approach these decisions with an eye toward reasonable resolution and your future. We want to help you navigate those conversations as well as implement your decisions to carry you into the next chapter. Thank you for the opportunity to help guide you through this key moment in your life.

¹ https://www.cdc.gov/nchs/nsfg/key_statistics/d.htm#marriage



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