



Divorce: Planning for a New Beginning

Your Path to Financial Independence

Major relationship transitions can be overwhelming in both a personal and practical way. Dealing with the impact of divorce on your financial life can make an emotionally difficult time even more challenging. Although divorce is seldom easy, you can prepare for it—and being prepared will help you feel more in control and better equipped to make informed, confident decisions about your financial future.

Assembling an Advisory Team

Going through a divorce can feel like a lonely process, which is all the more reason to surround yourself with a strong, experienced team of advisors who can provide critical guidance and support. Consider building a team that includes:

- **An attorney** who safeguards your best interests and can deal objectively, emotionally and forcefully with the many complex issues that may arise
- **An accountant** who can advise you on changes to your tax status
- **A personal counselor**—such as a clergy person or therapist—who can help you deal with private issues you may not feel comfortable discussing with a legal or financial advisor
- **A Financial Advisor** who focuses solely on you, your needs and your wishes, and can help you create and implement strategies for helping you achieve your goals

Understanding Who Gets What

The divorce process involves a financial separation, as well as an emotional one. Which assets will you own following the divorce, and which will be owned by your former spouse? While the specifics vary significantly from state to state, you should be aware of some important concepts:

MARITAL VERSUS INDIVIDUAL PROPERTY

Marital property includes virtually all property you and your spouse acquired during the marriage, including real estate, investments, bank accounts, art collections and other physical property.

Individual property includes property that was:

- Given to or inherited by you
- Acquired before marriage
- Acquired using property that was a gift, inherited or already owned before the marriage
- Excluded by a premarital or other agreement

DIVIDING MARITAL PROPERTY

How marital property is divided depends on where you live. Most states rely on the concept of equitable distribution, where the goal is to achieve a division that is fair based on a range of considerations, including:

- The contribution of each spouse to acquiring and maintaining the marital property
- The length of the marriage
- Needs related to child custody
- Financial needs, circumstances and prospects of each spouse.

In states with a community property approach, marital property is divided evenly between the spouses.

Taking Control of Your Financial Life

Below are key steps you can take to plan for—and protect—your financial independence.

YOUR CREDIT AND BASIC FINANCES

- **Open an interim account**—Use this account for expenses during the period between separation and divorce
- **Check your credit report**—Good credit translates into financial flexibility. Request your free credit report from www.annualcreditreport.com and correct any errors
- **Protect your credit**—Your credit rating could be damaged by the actions of your former spouse. Protect your credit by closing joint credit cards and other joint accounts
- **Establish your own credit**—Consult with your attorney and Financial Advisor about opening your own bank and investment accounts

YOUR HEALTH AND RETIREMENT

- **Understand your health care coverage**—Are you still covered by your former spouse's health care plan? Will you qualify for COBRA coverage? How much will your health care insurance cost in the future?
- **Understand your retirement plans**—Do you have a beneficiary interest in your former spouse's retirement plan? Does your former spouse have a beneficiary interest in your retirement plan?

YOUR ESTATE

- **Review trusts**—If you have trusts, find out what happens if your former spouse remarries. Certain trusts can protect your children's inheritance if your former spouse should remarry. If you have done any irrevocable charitable planning, you may be able to divide your charitable trust or family foundation between you and your former spouse
- **Review life insurance policies**—If you have life insurance, review your policy and consider designating a new beneficiary
- **Review your fiduciaries and beneficiaries**—Create a list of all relevant estate planning documents—such as your will, health care directive, power of attorney and retirement accounts—and understand your options for changing fiduciary or beneficiary designations to reflect your new circumstances

YOUR HOUSE

Decisions involving your house should not focus solely on value. You should also consider liquidity, cash flow and the cost of maintaining the house, which may be a financial burden that precludes other opportunities or needs, like building a sound retirement plan.

YOUR CHILDREN

Consider how to prepare for the following:

- Child support
- Tuition costs
- Cost of extracurricular activities
- Health insurance
- Providing for a child with special needs

Regardless of how complex your situation, your Financial Advisor is available to help you identify your specific financial needs and goals, and then align the appropriate resources and tools to help you move forward in your new life with confidence.

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