

Morgan Stanley

The Chicagoland Group



A Guide for Women: Taking Control of Your Finances After Divorce or Death of a Spouse:

Courtesy of Craig Cunningham, Managing Director, Wealth Management, Senior Portfolio Management Director, Financial Advisor – The Chicagoland Group at Morgan Stanley

Divorce or the death of a spouse can turn the best laid financial plans upside down. An income stream dries up; assets may be divided; in short, where life had a feeling of certainty, you may now be standing on shifting ground.

Whatever the circumstances, if you haven't been closely involved in investing or other big-picture financial decisions, taking the lead on money matters can seem daunting.

To be sure, gender roles are evolving, and women are increasingly active in financial planning. But even so, women who outlive their husbands, or who experience a so-called silver divorce—a split that occurs later in life, sometimes after decades of marriage—can be caught off guard by the magnitude of the decisions they must make alone, not least those concerning their home.

With the right approach and the right advice, the process need not be onerous. On the contrary, it can be empowering.

Here's how to manage the transition:

Find a Confidante

To help you get started, ask a couple of money-savvy friends or family members to act as a sounding board. They can go with you when you initially meet advisors and help you ask good questions. While it's helpful if your confidantes understand the basics of investing or estate planning, they needn't be professionals. Their role is to help you take the steps you need to make good choices, not make them for you.

Put Your Team in Place

Depending on the complexities of your situation and your financial savvy, you may want to seek out several professionals, including an attorney, tax professional and Financial Advisor. Because you don't know what you don't know, getting the right advice is critical in the early stages of a transition. A common mistake is to delay financial planning until after a divorce is final or the estate is settled. You want to understand what you're up against financially before you agree to anything.

If you don't have a Financial Advisor, finding the right one is not unlike finding a good doctor or general contractor. Get two or three recommendations from other professionals (e.g. your attorney) and people who have been in similar circumstances. Then meet with them to see which Financial Advisor has the right mix of experience, personality and approach.

No matter which route you take, be leery of anyone who tries to sell you insurance or investment products out of the gate. If the person immediately goes into, "how much money do you have and what is your risk tolerance," get another opinion. Investing should be the last step.

Get—and Stay—Organized

A Financial Advisor can walk you through all the steps you need to take to get organized, but you can facilitate the process by tracking down key documents, including: recent brokerage and bank statements, life and health insurance policies, recent tax returns, loan documents, and Social Security statements.

As you go about gathering these documents, you'll want to update your information—including beneficiaries—and start taking steps to protect your assets and your heirs. Among other things, you will want to update your will and any trust agreements. Be sure to also look at life insurance and long-term care needs and policies.

Finally, create an inventory of your accounts and financial interests—everything from bank accounts to recurring bills—and store the information in a safe place, or with your attorney or Financial Advisor. Let your loved ones know that such a document exists and where they can find it.

Take Stock of What You Have, and Need

At the heart of financial planning is understanding your goals and creating a road map to achieve them. A key part of the process is reconciling your income and savings with your spending. For this reason, your Financial Advisor will likely ask you to track your spending for several months, either with a spending journal or financial software.

Be Patient but Proactive

You don't want to delay key steps in the planning process, but you also don't want to rush into decisions. The first year after a death or divorce can be very rough. It is wise not to make any major changes, such as selling a house, right away.

The same is true of coming up with a financial plan. A good Financial Advisor will take their time building a solid foundation than rush and create a plan that is unrealistic. You want to start the planning process as soon as you can, but you may not have all the answers right away, and that's to be expected.

Disclosures

Article by Morgan Stanley and provided courtesy of Morgan Stanley Financial Advisor.

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CRC 5597183 (3/2023)