



You're Getting Divorced. Now What?

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 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.

DO's:

- Prepare a budget and plan to sustain yourself until your divorce is final.
- Review monthly 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 therapist.

DON'Ts:

- 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 any document without reviewing it with your attorney or team of professionals.



► 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 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 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.

► 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(ren)'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 your divorce and what it means for them, in an age-appropriate way. 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.





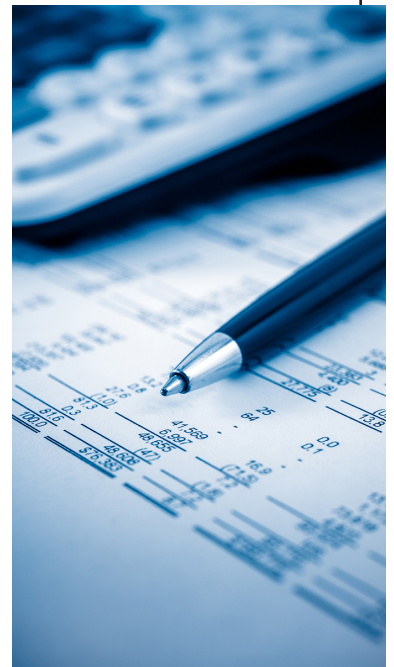
► Division of Assets

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. 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.



▶ Assemble a Team and Get Started

- ☐ Meet with your financial professional and determine which aspects of this checklist are relevant and should be prioritized.
- ☐ Find and meet with an attorney. Do not sign any divorce-related documents without consulting your attorney first.
- ☐ Find and meet with a tax professional.
- ☐ Find and meet with an insurance professional.
- ☐ If you are covered by your spouse's health plan or intend to apply for COBRA, private insurance, or employer coverage, know that federal law requires you to select your new health insurance within 60 days following the loss of any previous coverage.
 - If you have significant business interests, such as business ownership, you may also want to consult a business attorney and CPA.
- ☐ After consulting with your attorney, close joint financial accounts that you can.
 - This can include checking accounts, savings accounts, credit card accounts, and loan balances.

▶ Determine Your Financial Health

- ☐ Track your spending over a couple months through a spending journal or financial software.
- ☐ Collect copies of your last three years of federal and state tax returns.
- ☐ Obtain your credit report to determine what debts and assets are in your name.
- ☐ Review and document the contents of any safety deposit boxes.
- ☐ Estimate what your income will be after divorce. Possible income sources include job earnings, job benefits, Social Security benefits, alimony, child support, unemployment compensation, rental income, pensions, annuities, investment income, and IRA distributions.
 - Take into account the changes to the taxation of alimony, since the client receiving alimony is typically in a lower tax bracket after divorce, which may be beneficial in terms of dividing investments.
- ☐ Estimate what your expenses will be after divorce. Possible expenses could include losses from divorce, attorney's fees, debt on assets you retain, alimony, child support, and health insurance (new insurance can significantly increase expenses).
 - Include previously shared expenses that will now be entirely yours (e.g., mortgage, rent, utilities, groceries).
- ☐ Estimate what assets you expect to have when your divorce is settled, including what you will have in retirement savings.
 - Make sure you will have a credit card or two in your name after you cancel your current ones.
 - Estimate what total debts you will owe. Include debts such as a mortgage, car loan, credit cards, and business debts.



► Plan for Your Children

- ☐ Determine where your children will live or how joint custody will be managed.
- ☐ Determine who, if either spouse, will pay child support and if so, how much. Consult with your tax advisor on the tax implications and clarify with your attorney on state specific resources and guidelines.
- ☐ Contact your CPA regarding potential tax deductions for your beneficiaries.
- ☐ Determine who will contribute to their college savings, memberships, and other activities, and how much.
- ☐ Determine who will pay premiums for your children's health insurance and who will pay any deductibles.
- ☐ Name a new legal guardian in your estate documents, if necessary.
- ☐ Assess your life insurance policy and consider whether you want/need to change the policy amount and/or the beneficiaries.

► Make a New Spending Plan

- ☐ Prepare a budget for your post-divorce life.
- ☐ Save up an emergency fund that can last 3 to 6 months without income.
- ☐ Create a new retirement savings plan based on your new expenses, income, debts, and assets.
- ☐ Estimate what impact, if any, divorce will have on your Social Security benefits.
 - Determine if you qualify for spousal benefits (typically you qualify if you were married for 10 or more years).
 - Determine whether you can apply for spousal benefits.
 - Determine whether you should apply for spousal benefits. Spousal benefits typically pay out half the earner's benefit, so depending on your former partner's income you may prefer to receive your own benefit instead.
- ☐ Consult your tax advisor to assess how your tax liability will change.
 - Determine who will claim your children as dependents for tax purposes (this is usually based on the child's primary residence).





► Divide Assets

- ☐ Determine how all assets will be divided:
 - Investments, including stocks, bonds, bank savings accounts and stock options
 - Any family-owned business interests
 - Retirement assets, including any 401(k)s, traditional IRAs, and Roth IRAs
 - If your retirement assets must be divided, consult your advisor to determine if there is any way to avoid the early withdrawal penalty.
 - Ask your attorney if you should seek a Qualified Domestic Relations Order (QDRO) to divide your retirement assets.
 - Your house or houses (remember to include adjustments to basis due to improvements)
 - Your car or cars
- ☐ Determine who will take ownership of your pet(s).
- ☐ For any jointly owned assets or accounts, utilize your attorney to formalize an agreement on how to manage them moving forward.

► Update Your Documents

- ☐ Update your name, beneficiaries, and emergency contacts on your personal documents.
 - These documents can include your will, agent authorization agreements, medical directives and health information-sharing agreements, power of attorney documents, and insurance policies.
- ☐ Obtain a final divorce decree, which will be required for insurance companies and other entities.
- ☐ Update your name, beneficiaries, and emergency contacts for your financial accounts.
 - This can include IRAs, 529s, joint and individual banking accounts, custodial accounts for minors, savings accounts and checking accounts.
 - Note that federal law requires that your spouse be your beneficiary on any employer-sponsored plans until you are legally divorced unless they consent in writing to allow a separate beneficiary.
- ☐ Change your passwords to online subscriptions and services.

► **If you have any questions, please reach out to your D.A. Davidson financial professional.**



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