



You're Getting Divorced

A Checklist

A divorce is a life changing experience. Along with the emotional impact of a divorce, the financial impact can be significant. Some researchers estimate on average that divorcing individuals need more than a 30% increase in income to maintain the same standard of living they had prior to their divorce.¹

Below is a checklist of the most common items to review when dealing with a divorce. For more details on these subjects, ask your Benjamin F. Edwards Financial Consultant for the article: *You're Getting Divorced, Now What?*

Financial Planning

- Assess your new personal financial statement. What assets are yours, post-divorce? Be sure to update the title on these assets to assure proper ownership and to review your holdings to make sure you are appropriately diversified.
- Complete a budget listing all of your income sources and your expenses. Keep in mind potential child-related expenses that may be yours or may be balanced with your ex-spouse, including funding for college.
- Review your health insurance coverage and whether COBRA insurance may be needed in the near term.
- Review your retirement planning goals. Are your retirement dates and spending needs still appropriate?
- Create an emergency funds pool for at least 6-12 months of living expenses.

- Review your tax situation – New filing status, allocation of the exemptions for dependent children and tax consequences for the sale of any property due to the divorce are a few potential considerations.

Retirement Planning

- After the divorce, for all types of retirement accounts (IRAs, 401(k)s, etc.) review/update your beneficiary designations to reflect your intentions. Failure to remove an ex-spouse could lead to that ex-spouse inheriting your retirement funds.
- Employer sponsored retirement and pension plans typically require a Qualified Domestic Relations Order (“QDRO”) to transfer such accounts due to divorce without taxes or penalties. Be sure to secure and follow a QDRO to avoid any errors or unintended consequences.

¹ Sayer, Liana C.; *Economic aspects of divorce and relationship dissolution*; Handbook of Divorce and Relationship Dissolution, pgs. 385-406; 2006.



Life Stages

- IRA transfers should be made trustee to trustee to avoid taxable distributions. A QDRO is not required for IRA to IRA transfers.
- Review existing annuities as they may be difficult to split up or liquidate. It may make sense to allow one party to keep the annuity intact as part of the divorce settlement.
- Social Security benefits for divorced spouses may be allowed if the marriage lasted at least 10 years and if the divorced spouse claiming benefits is not currently married. Review your options for claiming social security on both your work record and as a “spouse” to secure the largest benefit.

Insurance Planning

- Review/update your beneficiary designations on all existing insurance to ensure your intentions are met. Failing to remove an ex-spouse as a beneficiary could entitle them to your insurance proceeds.
- Purchase/change life insurance policies as required by your divorce decree to cover child support or spousal maintenance obligations.
- Consider cash value for existing life insurance as an asset during the divorce settlement.
- Consider whether new or updated life, long term care and/or disability insurance policies are needed.

IMPORTANT DISCLOSURES The information provided is based on internal and external sources that are considered reliable; however, the accuracy of this information is not guaranteed. This piece is intended to provide accurate information regarding the subject matter discussed. It is made available with the understanding that Benjamin F. Edwards & Co. is not engaged in rendering legal, accounting or tax preparation services. Specific questions on taxes or legal matters as they relate to your individual situation should be directed to your tax or legal professional.

Estate Planning

- Create or update existing wills and trusts to reflect your divorce. Failing to remove an ex-spouse from your estate plan may entitle them to inherit your assets.
- Review fiduciary appointments in your estate documents. This includes reviewing who you’ve selected as your personal representative, successor trustee and guardian for your children.
- Create or update your financial power-of-attorney, health care power-of-attorney and living will, along with reviewing whether you need to update who you will name to handle these responsibilities on your behalf.
- Review and update any transfer-on-death agreements or other non-probate transfer assets to ensure your legacy intentions are met.

Remember, this is only a preliminary guide to the most common financial considerations to review upon a divorce. Work closely with your tax and legal advisors, and with your financial consultant, to address all of your specific needs. Stay diligent to make sure your divorce doesn’t create irreconcilable differences between your financial situation and your goals. ■