Wealth Planning **Update**

While emotionally draining, divorce doesn't have to be financially draining too.

Few people go into marriage thinking about how it will end. But unfortunately, divorce does happen. Getting divorced is not only highly emotional, it can also be complicated and challenging. Combining all these elements at a time when your judgment may be clouded can lead to financial mistakes that you will have to live with for years.

Depending on your life stage, your family situation and your life priorities, there will be different financial considerations. Whether you are financially savvy or have little experience in handling your finances, you will benefit from working through your many options with an experienced advisor. This type of guidance can help you better prepare emotionally and financially as you work toward an equitable distribution of assets. **Here are some tips to help you make better decisions during the divorce process.**

Tip 1 • Engage your financial advisors early

The earlier you engage your advisory team the better. These professionals will be able to provide you with the clarity you need to navigate through complex financial details and provide you with options you were not aware of as they work in collaboration with your lawyers toward an equitable solution. In the end, your advisory team can make the process more efficient, less stressful and potentially less expensive.

If you had previously left major decisions to your former spouse, you might also be dealing with a financial learning curve and new financial responsibilities too. Clearly, there's a lot on your plate and you might be feeling overwhelmed with the tasks in front of you. Working with advisors will provide valuable education and insights that will better prepare you to go at it on your own.

Financially, an advisory team can help you see your financial situation after the divorce, create a game plan for moving forward and identify potential risks to watch out for.

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Tip 2 • Figure out where you are today

It's hard to know how to move forward until you have a good sense of your current financial reality.

A cash flow statement will help determine how much is going out in expenses—your basic living expense as well as discretionary spending—to determine what funds you need.

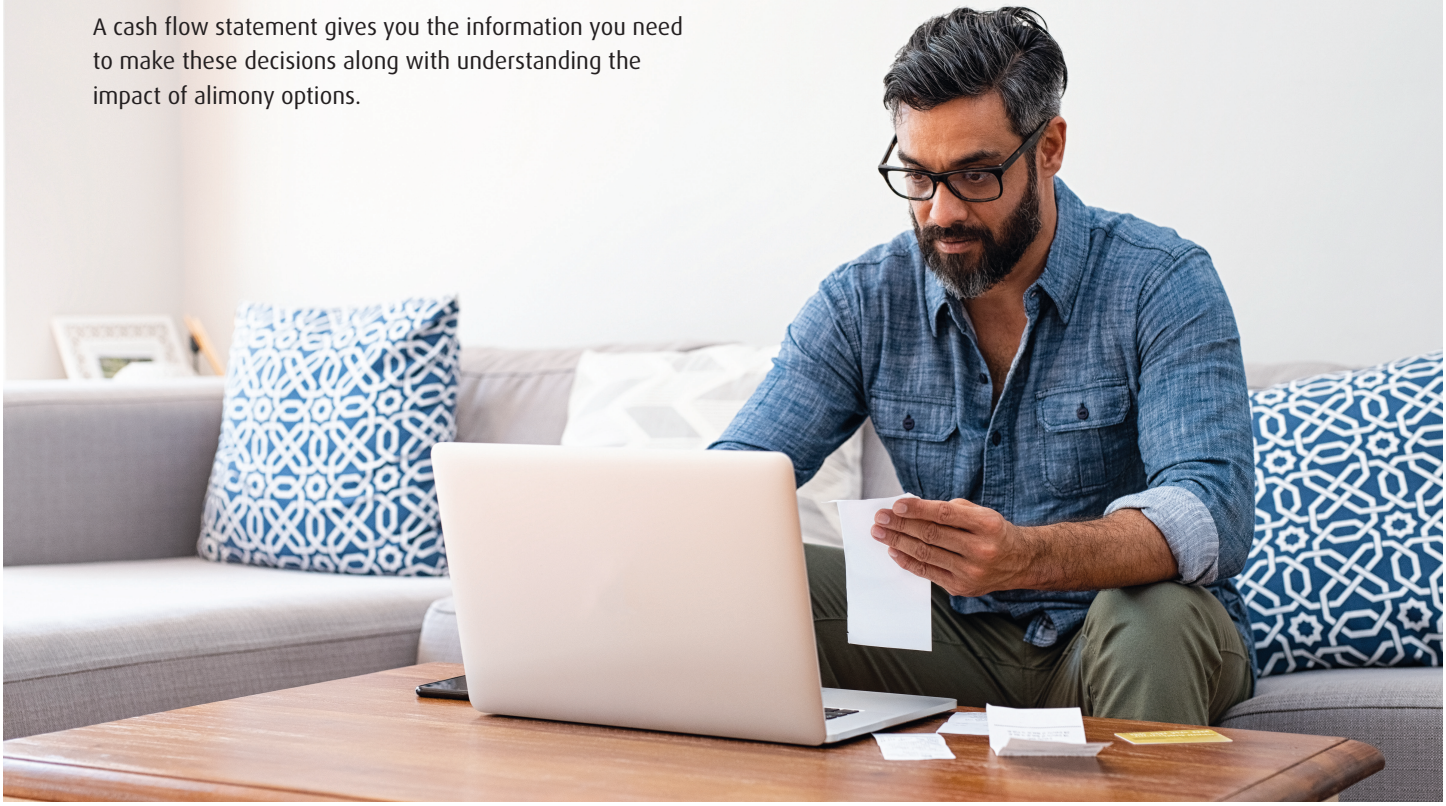
Listing out joint current inflows will also help understand where funds are coming from and determine the impact of divorce to your budget and lifestyle.

Working with a financial professional to evaluate various scenarios:

- Will you be able to stay in the home you once shared with your spouse?
- While it makes emotional sense to keep the family home, does it make financial sense?
- Can you comfortably maintain two households?
- How will shared childcare expenses be handled and how can you protect that source of support to ensure that your children are taken care of no matter what?

Perhaps you might need to consider a non-traditional, co-habitation arrangement if finances don't permit two households (or you believe it's best for your kids' sake).

A cash flow statement gives you the information you need to make these decisions along with understanding the impact of alimony options.



Tip 3 • Division of assets

The first step in coming up with a plan for the division of assets is to evaluate your balance sheet, which is a listing of your assets and liabilities (joint and individually) including pension and retirement accounts. Your lawyers will need this information in order to work on your behalf to divide the marital assets.

If you are on good terms with your ex, try to do this together. It can save you time and money by working out those things ahead of time, so the lion's share of the task doesn't fall to your attorneys and financial advisors. However, if the divorce is particularly contentious, it might be wise to leave it to your respective legal counsels to work out.

Working with a financial professional will also help you determine asset and liability transfer options and their impact. Not all assets or income are treated equally from a tax perspective, and this is an important consideration many don't consider carefully during negotiation.

Tip 4 • Look to the future

In the midst of a divorce, the future might seem like a distant point, far far away. It may be difficult to even know what you want the future to look like. At some point, you will need to pivot from what is immediately in front of you toward long-term planning. Engage your financial team to help you identify your goals and objectives and assign monetary values to them.

Cash flow and balance sheets give you the building blocks to move forward with long-term planning. But you must balance your current cash flow and your future cash flow, understanding that there might be gaps between the two. You'll need a plan to address how to fill those gaps so you can take control of your personal finances.

One area to examine is retirement planning. For example, there may be several options on how to divide 401(k)s and pensions. It's important to model out each of these choices so you understand how they will impact your long-term wealth.

Tip 5 • Create a new estate plan

As a newly single person, the estate plan you had crafted as a couple may no longer apply. However, you will need to keep in mind and account for any implications of pre- and post-nuptial agreements that relate to estate planning, beneficiary designations and insurance. At the very minimum, where possible, change beneficiary designations on your retirement plans and life insurance (in most states, you will have to wait until the divorce is final). And be sure to revise your wills and trust documents so they comport with your new life (but also be consistent with the terms of any pre-nuptial agreement)

Tip 6 • A role for life insurance

Life insurance plays a vital role in protecting you and your loved ones. That continues to be true after divorce, but you may need to approach it from a different angle.

First, note that if you have permanent life insurance, the cash value of that policy can be considered a marital asset and needs to be accounted for in the balance sheet.

If alimony or child support is part of the divorce decree, a life insurance policy can help protect that financial support if you or your spouse were to die. Otherwise, the support that was counted on would disappear, creating a financial hardship.

Lastly, if the above does not apply, consider your beneficiary designation. Most couples with dependent children list one another as beneficiaries on their life insurance policies. However, once you divorce—especially if the divorce is an acrimonious one—you might want to consider changing the beneficiary to someone else. Life insurance beneficiary designations are typically revocable, meaning they can be changed at any time.

Engage your financial team to help you identify your goals and objectives and assign monetary values to them.

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Final thoughts

Getting the right advice and support during your divorce is key to helping you make good informed decisions that you won't regret later on. Whether you are new to managing your finances or are well aware of the financial considerations, you might be feeling overwhelmed by all the decisions and options to be considered on top of dealing with all the emotional impact. By gathering a trusted group of advisors (e.g. lawyer, accountant and financial planning professional) to help you make informed decisions, you can find balance between immediate, mid-term and long-term needs and gain the confidence and support to make decisions in your best interest.

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