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**Q:** What financial support can I count on for my children?

**Q:** How are retirement plan assets handled during a divorce?

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**Q:** What long term issues should I focus on?

**Q:** How can I use my shares to transfer wealth?

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# How can I take control of my financial life after my divorce?

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## SUMMARY

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Divorce is seldom easy for anyone involved. Still, there are steps you can take now that may make the process less stressful and help simplify your life when the divorce is finalized. The more you know about the divorce process and your legal and financial options, the better equipped you will be to pursue your goals and protect your best interests. The information included here can help you start to think through key issues. Remember, though, that a competent attorney is essential, and a knowledgeable Financial Advisor can help you deal with the intricacies of planning, both for short term realities and long term possibilities.

**Q: What should I focus on first?**

A: Throughout the divorce process, it is critical to focus on your specific objectives and preferred outcomes. For example, try to keep clear answers to these questions in mind as you weigh alternatives and make decisions:

- *What is most important to you?*
- *What are your short term and long term goals regarding your work, home and children?*
- *How can you reach these goals?*
- *How can you control your financial future?*
- *What legal path makes sense for your divorce?*

**Q: What are the legal avenues open to me in getting a divorce?**

A: There are three approaches to the divorce process. The first, *litigation/representational*, requires extensive court involvement, as well as the greatest level of involvement by attorneys representing you and your spouse. It is also, generally, the most expensive way to get divorced.

Another route is *mediation*, in which you and your spouse negotiate in the presence of a third-party mediator and then consult with your attorneys outside of these sessions before you sign a final, legally binding agreement. Or you may choose *collaboration*, in which you and your spouse agree not to litigate. Instead, you attend sessions with your attorneys, and

sometimes with mental health professionals and financial planners, to work out an agreement as a team. Mediation and collaboration require minimal court involvement.

**Q: What important financial information will my attorney need?**

A: Planning your financial life after a divorce begins with an analysis of your predivorce financial situation and holdings. Critical information includes how much you have earned as a couple over the past five years and how much debt you have. You should also: determine how much money you have in all of your financial accounts; understand how the money is allocated among stocks, bonds and cash; and know who owns each account if they are in separate names. Equally important is an understanding of how much it costs on an annual basis to maintain your lifestyle: monthly bills, homes, vacations and other expenses.

**Q: What financial steps can I take prior to divorce to simplify my situation later?**

A: You may want to:

- **Open accounts in your own name** including your own credit card, checking and savings accounts. Also, have your paycheck deposited directly into your checking account.
- **Contact creditors** to explain your situation and, if appropriate, to ask to stop any future charges by your spouse.
- **Check your credit report** by using an Internet site like Annualcreditreport.com, a federal government site that is free.
- **Open an interim account** to manage interim family expenses during the period between separation and divorce.

**Q: Should I retain my house?**

A: When it comes to your home, you will likely confront three options: sell the house, buy out your spouse or have your spouse buy you out. The best solution for you will depend on both personal and financial considerations. You may simply not be comfortable remaining in your current home. On the other hand, staying may offer your children a sense of continuity. On the financial side, you should evaluate the tax consequences of selling your interest in the house. Longer term — after the marriage is dissolved — you need to determine if you can manage the costs of the home, such as mortgage, taxes, utilities, maintenance and general upkeep.

**Q: What financial support can I count on for my children?**

A: Laws vary by state, but typically a judge will determine the financial resources that you will receive if you are the custodial parent. Some states base these payments on the parents' combined income and the number of dependent children. Keep in mind that your respective contributions to college expenses will need to be addressed in the divorce agreement.

**Q: What long term issues should I focus on?**

A: Although your current situation may demand most of your attention, it is important not to lose sight of your long term goals and financial needs, particularly as you negotiate a settlement. For example, your retirement goals are an important and valid concern. The terms of your settlement also may trigger financial changes if you remarry. In the area of estate planning, you should review any will you have drawn as well as any trusts that you established with your spouse. 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.

**Q: How are retirement plan assets handled during a divorce?**

A: A Qualified Domestic Relations Order, or QDRO, will specify the terms under which you or your former spouse can receive an interest in a qualified retirement plan, such as a 401(k) or pension. To avoid mandatory

withholding, make sure the transfer is made directly from one qualified, tax exempt account to another.

**Q: What insurance issues should I be aware of?**

A: One of the most important issues is the designation of a beneficiary on your insurance policy. If your former spouse is your life insurance beneficiary, it may make sense to change that — perhaps

to your children, parents or siblings. Keep in mind, too, that if your former spouse is going to pay child support and /or alimony, he or she will usually maintain life insurance naming you or your children as beneficiaries to provide support in the event of his or her death. You may also face new life, disability and long term care insurance needs after your divorce — costs you may have to bear yourself.

**Q: What effect will my divorce have on health care coverage?**

A: You should be sure to research the coverage of your current plan, especially if you are part of your spouse's plan. You may have important options for future coverage, including COBRA eligibility, so investigate these costs and coverages as well. Your children are typically eligible for coverage under a parent's plan until the age of 26. If one parent has access to health insurance at a reasonable cost, most states will permit or require that the children be covered by that plan. If you will bear the expense of coverage for your children, make sure it is factored into any child support award. Your divorce agreement should also specify how any unreimbursed medical expenses will be covered.

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