

The Divorce Dilemma: Making One Decision at a Time

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Divorce can be a difficult and stressful time for all parties involved. At the same time — although it may not seem it — divorce can sometimes turn out to be a time of new beginnings, a chance to explore new opportunities and perhaps move ahead with one's life. No matter what the circumstances, this is an emotionally taxing experience.

Frequently, a person going through the divorce process will seek guidance from family, friends and counselors. There will be many decisions to make, and having emotional support is key when going through a life change. Gaining control of one's finances is also an important step — since a divorce usually brings with it a change in each individual's economic status. After all, not only has a couple shared their personal time together, but often their assets, e.g., bank accounts, property, insurance policies, child expenses and more. All of the logistics will need to be addressed and worked out.

Taking the Necessary Steps

It's essential that any individual going through a divorce takes the necessary steps to evaluate and secure their financial assets. Since most financial decisions require professional know-how, you may want to consult a qualified attorney, accountant, insurance agent and financial planner for guidance. You'd want to ask questions about division of assets, working out your new budget, evaluating your insurance needs, re-evaluating your retirement plan and working out child support arrangements. Here are some tips to keep in mind in getting started with this process.

Obtain Essential Financial Documents

Collect all documents related to financial matters. These could include:

- Birth certificate
- Social Security card
- Divorce or separation agreements
- Prenuptial agreements
- Life insurance policies
- Other insurance policies
- Stock and bond certificates
- Mortgage documents
- Deeds
- Trust documents
- Leases
- Pension, profit-sharing and other retirement plans
- Marriage contracts
- Employment contracts
- Corporate buy-sell agreements
- Partnership agreements
- Cemetery papers
- Will
- Funeral arrangements

As soon as the divorce proceedings are initiated, you may want to take these important actions:

- Cancel joint bank accounts; open individual accounts
- Notify creditors of your new marital status
- Notify financial institutions of your new marital status
- Cancel jointly held credit cards — apply for new ones in your name

- Change beneficiaries on insurance policies and employee benefit plans
- Update your will and pertinent information (such as beneficiaries) on other financial assets

Division of Assets

Both men and women suffer the financial consequences of a divorce. Since a new household usually needs to be established, expenses will most likely increase. If you were a “stay-at-home” spouse and now need to work outside the home, there will be additional expenses for childcare and maintaining the household. To meet financial obligations, you may decide to sell assets such as a vacation property. While this might be a way to obtain some immediate cash, it's worthwhile to ascertain if the market conditions are favorable for such a sale. For example, if it's a bad market for real estate, you could agree to keep your property in the family until market conditions improve.

At some point along the way, a divorcing couple will need to find an equitable way to divide all of their assets. These assets usually include home, furnishings, investments — including retirement accounts — and business interests with related stock options. The division of assets can prove to be emotionally draining, since certain possessions or property such as a home may be fraught with rich sentimental value. That's why it's a good idea to seek out third-party advice. Sometimes an appraiser can assist you in determining the monetary value of possessions such as art and

antiques. An accountant's advice will also come in handy when evaluating these issues, as well as answering tax questions.

Review Your Budget

It's important to work out a new income, expense, and net-worth statement. First, calculate what your new income will be after the divorce is finalized. If you're no longer able to make ends meet, you will have to re-budget your income.

To calculate your net worth, make a list of all your assets and liabilities. Next, it is important to establish a financial system to pay your bills, conduct your banking, pay for everyday expenses, as well as set aside money for taxes.

It's also a good idea to check your credit report and correct any errors promptly. Make sure that your ex-spouse has not hurt your credit rating. If you detect any problems, contact the reporting agency.

Maximizing Your Insurance Options

It's a good idea to reconsider all of your insurance needs following your divorce. If you had joint ownership of a life insurance policy, you may decide to split the coverage into individual policies. In addition, you will probably need to change beneficiaries on your policy.

If you have a child, it's a good idea to evaluate your present insurance coverage to make sure you have adequate life insurance protection. This is because financial payouts that depend on future earnings — such as child support — can be provided through a life insurance policy at the death of the insured. For example, if a life insurance policy is taken out on the life of the ex-spouse paying child support, it can help ensure a source of funds in the event of your ex-spouse's death. If you determine that you want to make a change, talk to your agent or contact your insurance company as soon as possible.

Revisiting Your Retirement Plan

When you divorce, it's worthwhile to sit down and re-evaluate your total retirement picture. You may want to supplement your future retirement funds with annuities or an IRA. Or you may want to increase contributions to your employer-sponsored plan, such as a 401(k) or a 403(b).

Make sure you also check your beneficiary designations on any existing plans, and decide if you want to make a change. Usually, your retirement plan administrator can help make these changes.

Child Support

By providing for a child's short- and long-term needs, divorced parents can help ease the way for their child. We all know that child support should cover housing, food, clothing, day care, school supplies, activities and other expenses, but future financial needs should also be taken into the picture. These may include costs for college, medical care, non-insured medical care, summer activities, etc. It may be worthwhile to look into college funding alternatives such as a Coverdell Education Savings Account. One caveat: If either parent is covering the child under their own medical insurance plan, be sure to determine if coverage will be continued in the future — and for how long. Disability insurance, too, ought to be looked at by parents, especially the primary breadwinner.

Easing Economic and Personal Woes

Whatever decisions you make during this difficult time, it's a good idea to consider all options available to you. By taking financial control of your life as a single individual — and reviewing your assets, insurance coverage, retirement plan and dependent's needs — you can begin to build the foundation for a

fulfilling future. And by surrounding yourself with a network of supportive family and friends, as well as qualified professionals, you can help smooth the divorce path — and proceed with an air of confidence.

You can always count on your New York Life agent for information on a wide variety of insurance and financial products that may be useful for you during this life-changing time, and in the future.

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