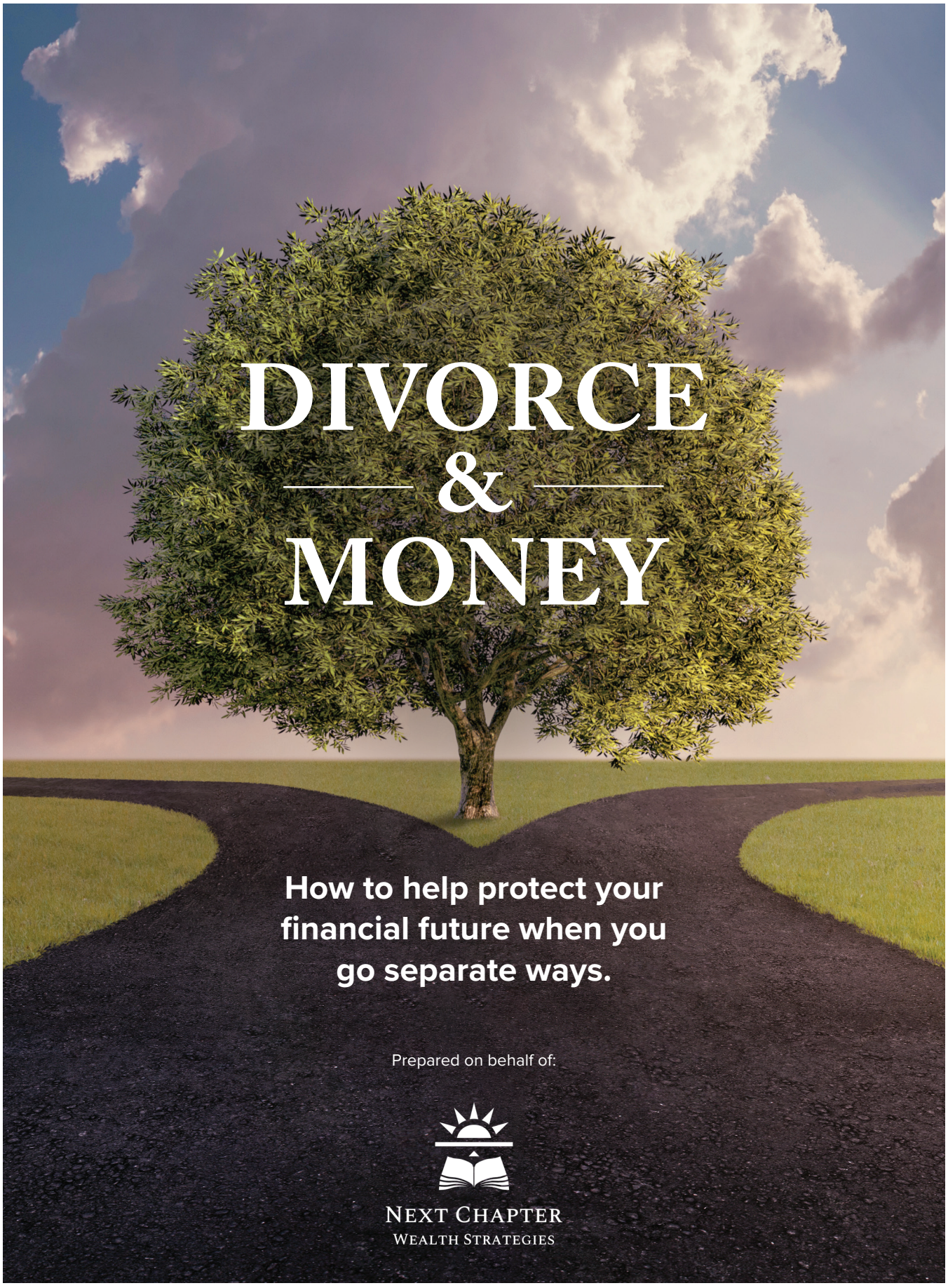
DIVORCE
&
MONEY
How to help protect your financial future when you go separate ways.
Prepared on behalf of:
NEXT CHAPTER
WEALTH STRATEGIES

You and your spouse planned for the future together. But what you probably didn't plan for is a divorce. When that happens, you're left wondering how you'll protect yourself financially as you build a new plan for your life.

Unfortunately, the rate of "gray divorce" — divorce after age 50 — has doubled in the U.S. since 1990.[1] Untangling finances can be complicated, especially if you've been married for a long time or own substantial assets. Many people who divorce worry about the impact on their health care resources, current lifestyle and potential retirement.

While your retirement plans may shift due to divorce, it is possible to get through it without the need to start from scratch with your retirement savings. In the following pages, we take a look at what you need to consider as you begin to divide your financial assets — and how you can come through a divorce with a new sense of hope for your financial future.

2x

The increase in divorces among people age 50+ since 1990[2]

1 in 3 - The number of marriages that end in divorce in the U.S.[3]

The average drop in wealth for divorced people age 50+[4]

[1] Bob Burger. The Balance. June 27, 2020. "Key Issues to Consider When Divorcing Over 50." https://www.thebalance.com/divorce-after-50-5-things-to-consider-2388813. Accessed Oct. 28, 2020.
[2] Ibid.
[3] Erin McDowell. Business Insider. July 30, 2020. "13 surprising facts about divorce in the US." https://www.businessinsider.com/alarming-facts-about-divorce-in-the-us. Accessed Oct. 28, 2020.
[4] Ben Steverman. Bloomberg. July 19, 2019. "Divorce Destroys Finances of Americans Over 50, Studies Show." https://www.bloomberg.com/news/articles/2019-07-19/divorce-destroys-finances-of-americans-over-50-studies-show. Accessed Oct. 28, 2020.

Retirement Accounts

Retirement accounts are perhaps the stickiest — and trickiest — assets to divide in a divorce. How do you decide a fair and equitable division of retirement savings? That predicament can be especially troublesome if one spouse has worked and made the bulk of contributions while the other has stayed home to care for family.

Your combined retirement assets could include multiple 401(k)s, 403(b)s, employer-sponsored qualified plans and IRAs. Your divorce agreement may include a qualified domestic relations order (QDRO), a special document signed by a judge stating how certain kinds of retirement accounts are to be divided. Special considerations apply when divorcing spouses are negotiating the terms of a QDRO, so the input of a qualified financial professional should be sought.

Beneficiaries also are a consideration for retirement accounts. In most cases, the soon-to-be-ex-spouse has been named as the beneficiary for employer-sponsored plans and IRAs. Following a divorce, you'll need to consider changing your beneficiaries to your adult children, a trust or a new spouse.

Caution! A divorce decree does not automatically change the named beneficiaries on a retirement account or life insurance policy. You should consult with a financial professional for advice about proper beneficiary designations.

It's also wise to consult a financial professional to help you navigate the distribution of retirement assets after a divorce. He or she also can help you identify how a divorce might leave you with a retirement income shortfall — and strategies you can use to address that shortfall.

Retirement accounts are perhaps the stickiest — and trickiest — assets to divide in a divorce.

Pensions

State law provides some guidance about how a pension ought to be divided in a divorce. The plan itself may also have rules about whether any payouts are set up as a one-time, lump sum payout or as monthly payments. The starting date for payments will also be determined by the pension-owning spouse's age, target retirement date and other criteria set by his or her employer. A QDRO is required to specify the details of splitting up a pension account.

Annuities

Like IRAs and 401(k)s, annuities are usually purchased with the intention of providing income in retirement. They come with contractual obligations for you and the issuing company, which should be considered before being split between you and your partner. Questions you should ask before deciding who gets an annuity in a divorce settlement include:

- Can the annuity be split at all — or does it follow the annuitant (the person on whose life the annuity is based)?
- Will penalties for early surrender apply if the annuity is divided?
- Are there annuity rider benefits, and will they be affected by a split?

Annuities also include beneficiaries, which you may need to update after a divorce. Your financial professional can help you review your beneficiaries and find answers to your questions about the annuity contract. He or she also can help you determine what adjustments might need to be made to your retirement income plan if the annuity is no longer available as a resource.

Life Insurance

While term life insurance doesn't carry a cash value, a permanent policy might have a cash value. Like annuities, you'll want to check on any contractual

obligations that may arise due to splitting that cash value, especially surrender charges. Likewise, you should consider the tax consequences of a split.

Most frequently, spouses name each other as the beneficiaries of life insurance policies. In some cases, your divorce decree may state that you must leave your spouse as your beneficiary, especially if child support or spousal support is in place. If this doesn't apply, you should consider updating your beneficiary. You also should review and reevaluate your existing life insurance, making sure it still fits your needs.

Investments

Your nonretirement investments might include brokerage and advisory accounts that hold mutual funds or other individual stocks and bonds. While these assets are more liquid and easily divided than retirement accounts, you could end up paying additional taxes on gains realized from any required sale of an investment. Your portfolio also could end up becoming unbalanced as a result of a divorce — leaving you open to too much risk.

Work with a financial advisor to help you determine the best way to split investments with your partner. Following your divorce, your financial advisor also can review your portfolio and help you make adjustments to realign it with your new financial goals.

Social Security

Navigating the ins and outs of Social Security is tough — and understanding your options after divorce makes it even tougher. If you're approaching or have reached eligibility age for Social Security and you were married for more than 10 years, you may be able to take benefits based on your ex-spouse's record.[5]

Your financial professional can help you determine whether you can take benefits based on your ex-spouse's record — and whether you should. Social Security benefits are just one piece of your overall retirement income puzzle, and your financial professional will consider all of the pieces to help you create a plan that is designed to meet your individual needs.

It's Time for a New Plan

Like most major life events, divorce can leave not only emotional scars but also financial scars. Our job is to help you heal those financial scars and get you back on your feet. We aim to help you become financially confident, no matter what the future brings.

If you're navigating a divorce, we can help. Simply give us a call to schedule your complimentary consultation. Let's work together to help you protect your financial future and plan for your new life beyond divorce.

[5]Social Security Administration. "Retirement Benefits." https://www.ssa.gov/benefits/retirement/planner/applying7.html. Accessed Oct. 28, 2020.

Divorce Documents Checklist

Ensure all assets are addressed in your divorce proceedings by gathering the following documents and information for yourself, your ex-spouse (if possible) and all joint accounts:

- ☐ Payroll stubs for the past two months
- ☐ Statements for all personal and professional bank accounts (checking, savings, CDs, etc.)
- ☐ Credit card statements
- ☐ Statements of outstanding loan balances (student, vehicles, furnishings, etc.)
- ☐ Pension and retirement account statements (401(k), 403(b), IRA, TSP)
- ☐ Investment statements (brokerage accounts, mutual funds, individual securities, etc.)
- ☐ Annuity statements, including beneficiaries
- ☐ Social Security statements
- ☐ Life insurance policies, including beneficiaries and cash value (if any)
- ☐ Other insurance policies (health, disability, etc.)
- ☐ College savings account statements
- ☐ Partnership or business financial statements (if applicable)
- ☐ Real estate documents for all properties owned (include titles, appraisals and current mortgage statements)
- ☐ Titles and insurance policies for all motor vehicles
- ☐ Tax documents
- ☐ Tax returns for the past three years
- ☐ W2s and 1099s for the past three years
- ☐ Partnership or business tax returns (if applicable)
- ☐ Legal documents
- ☐ Wills
- ☐ Trusts
- ☐ Health care directives
- ☐ Power of attorney
- ☐ List of personal property (furniture, jewelry, collections, antiques, etc.)
- ☐ Memberships (gym, country club, social club, etc.)
- ☐ Mileage and travel rewards
- ☐ Inventory of items in a safe deposit box or home safe

Before agreeing to terms of a divorce, we advise you to seek counsel from a qualified attorney and tax advisor. A financial professional can work with your legal and tax professionals to ensure you've addressed all questions pertaining to your financial assets.

Next Chapter
Wealth Strategies

4 West Dry Creek Circle
Suite 100
Littleton, CO 80120
720.635.2686
leslie@nextchapterws.com

We are an independent financial services firm that utilizes a variety of investment and insurance products. Investment advisory services offered only by duly registered individuals through AE Wealth Management, LLC (AEWM). AEWM and Next Chapter Wealth Strategies, Inc. are not affiliated companies.

This content is provided for informational purposes only and is not intended to serve as the basis for financial decisions. It is not intended to provide tax or legal advice and cannot be used to avoid tax penalties or to promote, market or recommend any tax plan or arrangement. The firm providing this information is not permitted to provide tax or legal advice, and all individuals are encouraged to consult with qualified professionals prior to making any decisions about their personal situation. Information and opinions contained herein that have been obtained from third-party sources are believed to be reliable; however, accuracy and completeness cannot be guaranteed.

Investing involves risk, including the potential loss of principal. Insurance and annuity product guarantees are backed by the financial strength and claims-paying ability of the issuing insurance company.

Content prepared by Advisors Excel.