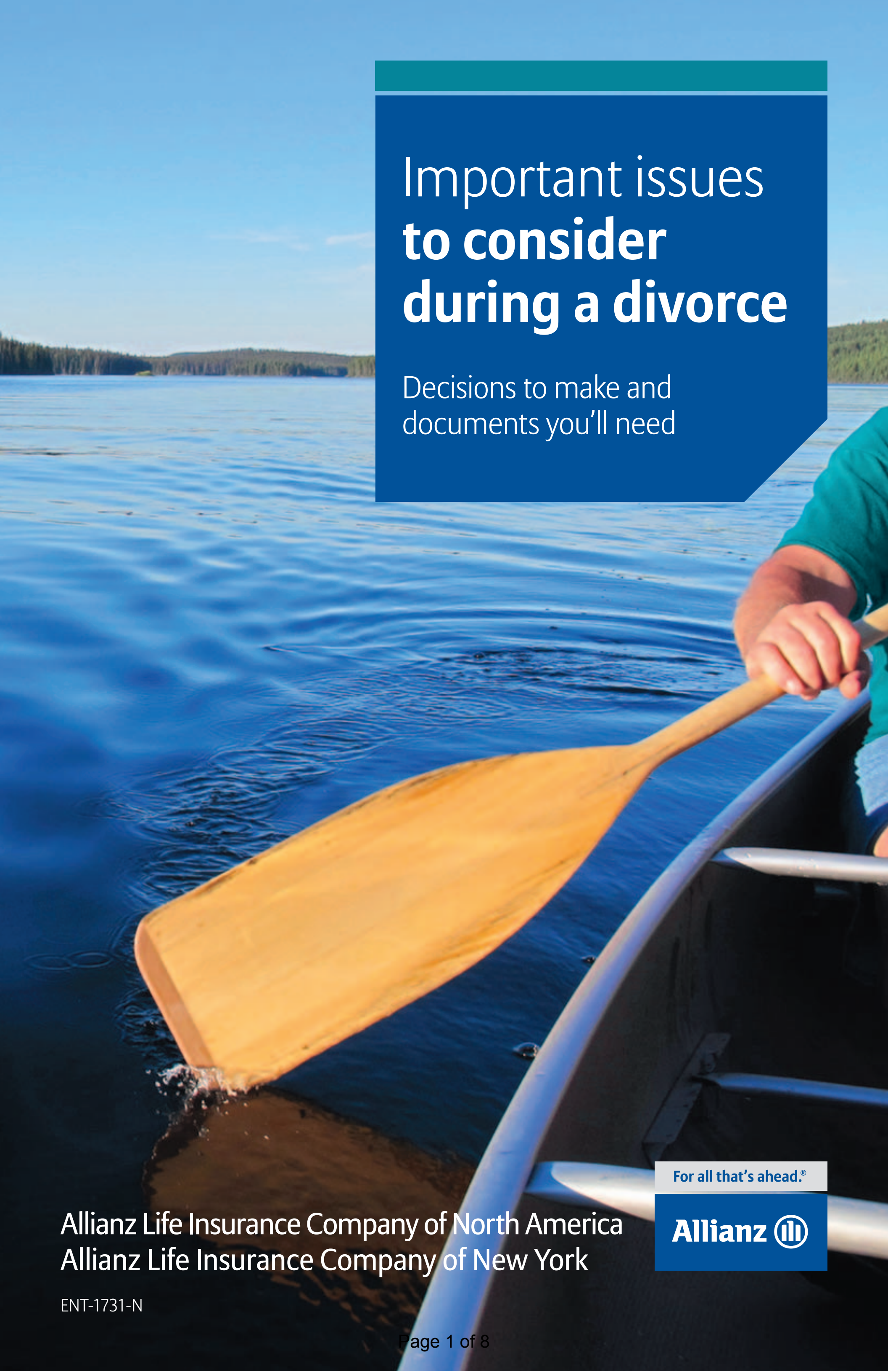

Important issues **to consider during a divorce**

Decisions to make and documents you'll need

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Divorce can be a **difficult transition**.

Being organized and knowledgeable can help.

This brief overview and checklist will inform you of some common issues you should consider during a divorce, and help you gather the documentation you'll likely need. Please note that this should be considered general information only, and is not meant to be comprehensive for all divorce situations.

Compile important documents. When beginning the divorce process, it's important to document your assets, property, and debts. Be sure to keep your documents in a secure location. Use the divorce document checklist included in this guide.

Document your income and expenses. Start by documenting your current household income and expenses. Also estimate future expenses and income need based on a potential settlement – this will help you to determine how you may be impacted by various settlement options. Consider both short- and long-term financial impacts.

Review beneficiary designations. Review the beneficiary designations on your retirement arrangements (pensions, 401(k)s, IRAs), nonqualified annuities, and life insurance policies. If you've previously named your spouse as beneficiary, you may wish to change this designation based on your new circumstances. Avoid naming your estate as your beneficiary. You are encouraged to consult your attorney.

Decide on a division of assets. A fair distribution of assets is not always an equal distribution. You should consider the current value and the potential future value of your assets and how these assets will be taxed upon sale or liquidation. Generally, there is no taxable gain or loss that is recognized on a transfer of property between spouses if the transfer is due to divorce. You are encouraged to consult your tax advisor.

Consider the family home: The family home can be an appealing asset during a divorce, especially if the mortgage is paid off. But be sure to consider future real estate taxes, maintenance, and utility costs for the home.

If you plan on selling the home in the future, be aware that you could be impacted by capital gains tax. As a single person in 2015, you may have up to a $250,000 exclusion on the sale of your primary residence that will lessen (or possibly eliminate) your final capital gains tax bill. If you have a gain greater than $250,000 (usually, by selling your home for much more than you paid for it), be prepared to pay capital gains tax, or a reduced maximum exclusion, if applicable.

Consult with a tax professional regarding your situation so you are able to make an informed decision regarding your family home.

Keep "separate property" separate. Generally speaking, separate property is property or assets that belongs to only one spouse. (Note that definitions of separate property can vary by state.) Thus, it is important to make sure your separate property is not commingled with your marital assets. For example, your money should be kept in a completely separate bank account that's in your name only.

Anything acquired during the marriage (including gifts between spouses) is usually considered marital property, no matter which spouse "owns" it or how it's titled.

Some common types of separate property include:

- Property owned by one spouse prior to marriage
- Gifts received by one spouse during the marriage (excluding spousal gifts)
- Inheritances received before or during the marriage
- Personal injury awards. In general, the portion of the award that repays you for lost earnings is marital property, while any award for pain and suffering is considered separate property.

Consider Social Security options. If you meet the following criteria, you may be eligible to receive a spousal benefit based on your ex-spouse's earnings history, if:

- Your marriage lasted for 10 years or longer
- You are not married at the time of application for Social Security retirement benefits
- You are age-eligible, age 62 or greater
- Your own benefit is less than the benefit based on your ex-spouse's earnings history
- Your ex-spouse is age-eligible, age 62 or greater. Your ex-spouse does not need to be collecting benefits in order for you to be eligible for a spousal benefit, as long as you've been divorced for at least two years.

Consult the Social Security Administrations (www.ssa.gov) for more information.

Ensure continued health coverage: If you're currently covered by your ex-spouse's group policy, the Consolidated Omnibus Budget Reconciliation Act (COBRA) allows you to continue health benefits coverage through your ex-spouse's employer for up to 36 months (though you may be required to pay the entire premium cost yourself).

You also have the option to seek coverage through the Health Insurance Marketplace (www.healthcare.gov). Divorce is considered a qualifying life event and allows you to seek coverage during a special enrollment period of 60 days immediately following the divorce.

Review other legal documents: In addition to all the new legal issues related to your divorce, all existing legal documents should be examined as well. Review your will, trusts, power of attorney, and health care directives with your attorney. You may wish to update these important documents based on your new circumstances.

Be aware of taxation issues: There are many tax issues to consider related to a divorce. For example, child support is **not** taxable to the recipient and **not** tax-deductible for the payor.

However, with alimony, the opposite may be true: The alimony is taxable income to the recipient and tax-deductible for the payor, when specific rules are met. Consult with a knowledgeable tax professional and attorney to assist you making informed choices.

Consider life insurance: Life insurance can be used to cover any future child support or alimony payments if something were to happen to the paying spouse.

As part of your divorce settlement, life insurance can ensure continued financial stability in the event of death. Work with a knowledgeable insurance professional and attorney to help you structure payments, ownership, and beneficiary designations appropriate to your situation.

Understand asset transfers: If you have retirement assets funded with annuities, please be aware that transferring funds pursuant to a divorce may result in the imposition of surrender charges or adversely impact any contracts that provide lifetime income. Therefore, it may be helpful to contact the financial institution to discuss the impacts that divorce may have on the product before including the annuity in the divorce decree.

Divorce documents checklist

Compile financial and insurance documents for yourself, your ex-spouse (if possible), and any joint accounts:

- ❑ Payroll stubs, three of the most current
- ❑ Bank statements for all accounts (checking, savings, business, etc.) for the past six months
- ❑ Credit card statements for all accounts
- ❑ Outstanding loan balances (student, vehicles, furnishings, etc.)
- ❑ Pension, retirement arrangement, and deferred compensation statements for the last three years
  - Summary plan description
  - Benefits booklet
  - Benefits estimates for pensions
- ❑ Employee stock options statements for the last three years
- ❑ Medical savings account statements and current balances
- ❑ Investment statements for all arrangements: brokerage accounts, annuities, CDs, money market, mutual funds, stocks, bonds, etc.
- ❑ Social Security numbers and statements
- ❑ Life insurance policies and most current statements
- ❑ College savings accounts
- ❑ Children's savings, insurance, and investments accounts for the past three years
- ❑ Partnership/corporate financial statements
- ❑ Real estate documents
  - Titles
  - Appraisals
  - Mortgage documents
  - Current statements
- ❑ Tax documents
  - Tax returns for the last three years
  - W2s and 1099s for the last three years
  - Partnership/corporate tax returns
  - Amended tax returns
- ❑ Legal documents
  - Wills
  - Health care directives
  - Trust documents
  - Power of attorney

Compile personal property documents, invoices, contracts, insurance policies, and appraisals – including furniture, fixtures, jewelry, artwork, furnishings, furs, equipment, antiques, and any type of collections (coins, stamps, gold, etc.).

List motor vehicles and gather all financing agreements and titles to all motor vehicles – including airplanes, boats, automobiles, or any other types of motor vehicles.

List all memberships – such as health club/spa, country club, yacht club, social, and private clubs.

Gather mileage and travel rewards (include statements for all rewards and any dates of expiration).

Document any cash and where it is kept.

Inventory safe deposit box and home safe contents.

Copy business documents.

Miscellaneous documentation for anything else that may be considered an asset.

For more help with these issues, talk to your attorney and tax advisor. **For help with a retirement income strategy and other possible financial solutions, meet with a financial professional.**

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