



Planning Considerations for Divorce

Ending a relationship is difficult and presents many considerations. Decisions made during the divorce process could affect taxes, retirement assets, insurance coverage, and future cash flow. Working with a coordinated advisory team, including your wealth advisor, legal counsel, accountant, and insurance agent, can provide clarity during the process and a plan for what lies ahead.

To Start: Get Organized

Create a complete list of your assets and liabilities:

- Obtain current statements for bank and investment accounts, retirement plans and pensions, Social Security benefits, and education savings accounts.
- Identify any pre-marital, inherited, and gifted assets in separate accounts and not commingled with marital assets.
- Gather records for liabilities, such as mortgage statements, outstanding lines of credit, and loans. Also, gather all insurance policies, including home, umbrella, life, long-term care, health, and auto.
- Obtain copies of real estate deeds for properties co-owned with your spouse as well as car titles and lease agreements.
- Secure income and gift tax returns to identify any deferred tax assets, such as capital loss carryforwards or charitable carryforwards.
- Gather business governance documents, including partnership, buy-sell, and shareholders' agreements, as well as home, umbrella, life, long-term care, health, and auto insurance policies.

The more you understand your whole financial situation, the easier it may be to have productive conversations with your advisors.

Establish a Property Settlement

Once you have a clear view of your assets and liabilities, work with your advisory team on a proposed settlement and related issues.

- Determine the division of property and assets, including potential tax consequences.

Settlement terms can shape your current finances, taxes, retirement assets, and flexibility for years to come.

- If applicable, discuss child custody and support, current and future education expenses, and alimony or spousal support. Note that alimony payments generally are not deductible by the payor or taxable to the recipient for federal income tax purposes.
- Establish whether a qualified domestic relations order (QDRO), which is a court order that directs a qualified retirement plan to assign or pay a portion of the benefit to a spouse, former spouse, child, or other dependent, may be needed.
- Identify any trusts in which you or your spouse serve as a beneficiary, trustee, or trust protector. Depending on applicable law and the terms of the document, a trust agreement may not automatically remove a former spouse upon divorce, so the terms may need to be modified.
- Recognize beneficiary designations for life insurance policies and retirement plans, and update them as appropriate.
- Consider retaining your own accountant if you do not already have one.

Create a New Financial Path

During the time it takes for your divorce to finalize, work with your wealth advisor to understand your immediate financial needs, longer-term goals, and lifestyle, legacy, and philanthropic priorities.

- Develop a post-divorce budget that reflects expected income, expenses (such as new housing costs or health insurance premiums), taxes, and support obligations.
- Evaluate your investment plan and your time horizon, risk tolerance, liquidity needs, cash reserves, and updated financial goals.

Planning ahead can help you align your resources with your updated priorities, responsibilities, and goals.

Meaningful Conversations with Your Advisors

As you revisit your plan for the future, consider these questions to help guide conversations with your advisors:

- Which assets may have tax consequences or other considerations not reflected in their current value?
- How could the proposed settlement affect my cash flow, liquidity, and longer-term financial flexibility?
- Are account titling, insurance coverage, and beneficiary designations aligned with my current wishes?
- Which planning decisions should be addressed now, and which may be better revisited after the divorce is finalized?

Regaining a Sense of Stability

Divorce is a major life transition, and the financial questions that come with it can feel complex and personal. Work with your advisors to thoughtfully plan a clearer path forward during and after the divorce process.

To learn more, please contact your Glenmede Relationship Manager.

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