

Make Estate and Financial Planning a First Step After Divorce

After a marriage breaks up, about the last thing most people want to do is sit down with one more attorney. But no matter how old you are or whether you have kids, it's important to consult both financial and legal experts to make sure you have an updated estate and financial plan for your new life once the divorce decree is final.

It's also best to blend estate planning with financial planning post-divorce. If you weren't working with a financial or estate planner during the divorce process, it's time to do so now. The immediate months after a divorce can be disorienting – even if you don't move, you are literally starting a new household that you will have to direct yourself, and that means new money issues to face.

This is why that the weeks immediately after a divorce are a good time to revisit short- and long-term spending and planning goals. Here's a general road map to that process:

Start with a financial planner: Whether you plan to stay single, remarry or move in with a new partner, it's good to get a baseline look at your finances as early as possible after the divorce is final. Expenses for the newly single can pile up quickly and unexpectedly, and a financial planning professional can help you review your new current spending and savings needs, compare strategies to achieve long-term goals like college and retirement and give you critical tools to protect your assets and loved ones if you die suddenly. Even if you have a good relationship with an ex-spouse and you addressed key issues for your children as part of the divorce proceedings, you need to revisit all these issues as a single individual before you move on to the next stage.

Talk with a trained estate planning attorney about wills and other critical documents: True, there are software programs and other kit solutions available to write basic wills, powers of attorney and certain simple trust agreements. But it makes sense to coordinate the activities of a financial planner with an estate planning attorney who can tailor an overall estate plan specific to your needs no matter how basic they might be right now. Even if you are very young with few assets, it makes sense to get some solid advice in this area so you'll be able to manage such planning as you age and your finances get more complex. Particularly if you have kids, such planning is important if you plan to remarry and if you want to guarantee that specific assets are guaranteed for them when you die. In some cases where a spouse dies unmarried with minor children, an ex-spouse might automatically gain control of assets that were supposed to be earmarked for the kids. If you don't want that to happen, you need to plan for that legally.

Make a guardianship game plan for your kids: It's not enough to plan how money and assets will go to your children if you or your ex-spouse die suddenly or are incapacitated. If your children are minors, it's particularly important to make sure you and your ex-spouse have a guardianship plan for their upbringing as well as any assets they may inherit. You might completely trust your ex-spouse's new husband, wife or partner to raise your kids if your ex-spouse dies before you, but there may be others better-equipped to do so – spell that out now. Also, if there are any trust or wealth issues that will become effective for your children once they reach adulthood, it's also important to establish an efficient legal structure for distributing those assets as well as appointing a trustee in a will to train and guide your kids through that financial transition.

Plan for special needs kids: If one of your children is disabled and is expected to need lifetime assistance of some type, then you should consult a qualified attorney to help you create a special needs trust. It will help protect your child from having to give up any public or social financial assistance as well as access to special doctors, medical help, special prescriptions or treatments that could be taken away if they were to personally inherit assets that would disqualify them for these programs. When such assets are held in trust, they are not counted as the child's assets. The advantage is that those inherited assets may still be used to support their housing or other personal living needs.

Get solid protection in place: Most people focus on what may happen to their health insurance if they get divorced, but insurance issues like life, property/casualty and disability insurance are sometimes put on the back burner. If you're newly single, you definitely need the best health coverage you can afford for yourself and your kids, but life, property, liability and disability insurance becomes doubly important, particularly if you failed to address those needs during the divorce. Even if your ex-spouse is cooperative with financial support, it's wise to insure yourself as if they weren't. A financial planner should be able to go through those options in detail.

Review all your investments for primary ownership and beneficiary information: Even if you were advised correctly to change the names on assets you and your spouse were dividing between yourselves, it still makes sense post-divorce to review that the names are indeed correct on those assets, and most important, to make sure all beneficiary information is correct.