

The DAILY PLAN-ITTM

Divorce Means Separating Estate Plans

During the dissolution of a marriage, it's easy for clients to become overwhelmed with all the changes that are happening. Clients often become focused on the immediate problem of dividing financial or property assets and forget about estate and retirement plans that were made in the event of a debilitating illness or death.

It's our job to help them and their loved ones avoid future conflict, heartache, and messy financial wrangling down the line. We recommend the following updates for clients who are divorcing.

1. Wills & Trusts

Wills and trusts are an obvious place to begin. Make sure these important legal documents are updated and that loved ones know where to locate them.

2. Beneficiary Designations

Clients should also update the beneficiary designations for life insurance policies and retirement funds. This is an often overlooked, but crucial, change to be made during divorce.

3. Health Care Power of Attorney and Living Wills

There are also medical concerns to address. Clients should be reminded to change their health care power of attorney documents naming who will handle medical decisions and advocate on their behalf in the event that they are incapacitated and unable to express their wishes.

In addition, living wills should be updated to reflect not only this change but also your clients' designees of choice.

4. Financial Power of Attorney

A new designation should be made for the durable financial power of attorney, so the correct person has the authority to handle money matters when clients are unable to do so for themselves.

5. Estate Planners

Divorcing couples will likely need to change their estate planning attorney. Couples generally worked together with the same planner when designing their plans, but when divorcing, they are generally best suited to find other planners on their own in order to avoid a conflict of interest. Their current estate planning attorney can make referrals for one or both of the divorcing spouses. That said, some divorcing spouses are willing to waive the conflict and continue with the same estate planning attorney they used while married.

6. Qualified Domestic Relations Order

Many people may choose to allow ex-spouses rights to retirement assets as part of the divorce settlement. Clients should file a Qualified Domestic Relations Order in order to designate exactly what those ex-spouses are entitled to and how it should be distributed. This will spell out their wishes clearly and help to alleviate disagreements and legal entanglements in the future.

Divorce is a difficult decision, but clients can minimize the long term effects by handling these important estate planning issues right away. Encourage clients to tackle these issues head on and avoid costly and painful legal problems for their loved ones down the line.

We hope this information is useful to you and helps your clients and their families. If you have a specific case or a question, please don't hesitate to call our office.

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