

# FINANCIAL IMPLICATIONS OF DIVORCE

COAST GUARD FINANCIAL READINESS

**Preparation:** Distribute and discuss the *Financial Implications of Divorce* Checklist and accompanying handouts to support this video-based training course. Checklists and handouts can be found online at [Coast Guard Personal Financial Management Program - FINRED Learning Resource Library - APAN Community](#).

## ★ PART ONE: Introduction

### Play Videos 1 and 2

**Introduction:** Welcome to this training course. Today's conversation is not an easy one. Divorce is a difficult event to go through. The goal of today's discussion is to make sure you take the necessary personal finance steps to reflect your change in marital status. This includes administrative requirements and considerations to protect your financial plan.

The following videos will cover the financial implications of divorce. So, whether you find yourself going through the divorce process now, or if your divorce is final, you will find the information helpful in adjusting your finances to your new life.



1. Course Overview

### DISCUSSION QUESTIONS

1. When you couple the emotional impact of a divorce with the life changes it causes, and then stack both of those on top of your normal activities of everyday living, it can be easy to procrastinate divorce-related tasks that must get done. What ways can you make sure essential tasks are accomplished?



2. Documents

**Talking Points:** It can be helpful to list out tasks that need to be accomplished and create a deadline for yourself. Complete the tasks you dread most first OR the smallest tasks first. Choose what motivates you to get stuff done. Take one thing at a time. Prioritize and communicate with your command if you need time during work hours to complete items.

2. Important paperwork, such as your divorce decree and will, must be kept organized and secured. Like with other financial documents, what practices are best?

**Talking Points:** Ensure you have certified, original copies of your divorce decree and will; have a file folder to store documents; label documents accordingly in the file folder; immediately return to folder after use; keep in a safe place at home while not in use; be sure to carry these documents with you when moving so they are not packed in unknown boxes and misplaced. If digital copies are kept, use passwords to protect sensitive information. Make sure you change any passwords your ex-spouse knew.

### KNOWLEDGE CHECK

**Question:** What documents do you need to update and what organizations do you need to notify, if you decide to change your name as a result of a divorce?

**Answer:** Not limited to...

- Documents: Social Security card, military ID, driver's license, passport, voter registration card, other IDs, property titles, deeds, estate planning documents
- Entities: Utility providers, banks, investment companies, loan companies

## ★ PART TWO: Financial Planning Foundations

### Play Videos 3, 4, and 5

**Introduction:** Up next are areas of your day-to-day finances that likely need careful attention as a result of your divorce.



3. Transition to Financial Planning

### DISCUSSION QUESTIONS

#### 1. How will your household finances change as a result of your divorce?

**Talking Points:** Roles may have shifted, so it is important to complete a thorough review to ensure all obligations are being met. Start by creating a spending plan and identifying action steps such as establishing and funding an emergency fund, checking due dates on bills, and closing joint accounts (you may need joint owner consent). Find a system to track your spending that works for you. Research how your divorce will change your tax situation. For example, will your filing status change to single or head of household? Will you downsize your home or significantly change other major areas of your life?



4. Post-Divorce Spending Plan

#### 2. What new goals do you have with your finances?

**Talking Points:** It is important to update or create new financial goals. The financial plan you had was based on a set of goals with someone else. Now that your situation has changed, it is a good time to revise your expenses, savings and investing goals, tax withholding, insurance needs, and retirement plan.



5. Bank Accounts, Bill Paying, Emergency Funds

#### 3. Are there any areas of your finances that will require coordination with your ex-spouse?

**Talking Points:** Alimony, child support, shared assets and liabilities

### KNOWLEDGE CHECK

**Question:** What are general guidelines for saving and investing, housing expenses, and vehicle expenses in relation to your income?

**Answer:** Saving and investing at least 10%–15% of pretax income; housing no more than 25% – 30% of pretax income; vehicle expenses no more than 15% – 20% of pretax income.

**Question:** How do you update your tax exemptions to change tax withholding from your pay?

**Answer:** Log in to Direct Access to change your tax withholding.

## ★ PART THREE: Credit Reports and Scores

### Play Video 6

**Introduction:** The next video will go over credit. It is important to understand how to manage your credit reputation in light of your divorce.



6. Credit

### DISCUSSION QUESTION

1. **Why should you be concerned about joint accounts that are listed on your credit report and what can you do to protect yourself?**

**Talking Points:** Untangling your financial lives can be difficult but necessary. Divorce proceedings don't affect your credit report and score directly. Even though your divorce decree may state that joint accounts will now be the responsibility of one party, your creditor doesn't know that and doesn't care. If you entered into a joint legal agreement with your spouse to repay a loan, credit card, etc., the lender has the right to require you to meet your obligation, even if the divorce decree states differently.

It is important to separate accounts after divorce as your spouse could abuse credit lines and fail to make payments on time, which will affect your credit score. Start by checking your credit report to identify how accounts are listed. Close joint accounts and remove your name on any accounts where you are an authorized user. Do the same if your ex-spouse is an authorized user on any of the accounts you will continue to use. Change the passwords of bank accounts and request new card and PIN numbers. If you have a vehicle loan or mortgage, it may need to be refinanced in the assuming party's name.

### KNOWLEDGE CHECK

**Question:** Which credit reporting agency is required by law to provide you a copy of your credit report for free?

**Answer:** All three credit reporting agencies — Equifax, TransUnion and Experian — allows free weekly credit reports, upon request. Visit <https://www.annualcreditreport.com> to view or contact your Personal Financial Manager (PFM) at your local Health, Safety and Work-Life (HSWL) Regional Practice.

**Question:** The FICO score, which is the most commonly used credit score, ranges from 300 to 850. What do lenders generally consider a good FICO score?

**Answer:** Generally above 670, however this can vary by lender

**Question:** What part of your FICO score has the largest percentage impact?

**Answer:** Payment history which is 35% of your FICO score

## ★ PART FOUR: Additional Financial Planning Topics

### Play Videos 7 and 8

**Introduction:** The next few videos will cover additional financial planning topics to revisit as a result of your divorce. Take note of specific areas you will need to update.



7. Transition to Financial Planning, Pt. 2

#### DISCUSSION QUESTION

1. **Splitting assets with an ex-spouse can have financial and emotional implications. The tasks can add additional stress if you feel a deep connection from the hard work you put in to accumulate them. What should you keep in mind as this process occurs?**



8. Military Retirement System Overview

**Talking Points:** Keep a clear head. Move forward with the process once the divorce decree is final. Work toward accomplishing the requirements of the decree so that you can move forward. Focus on the future and create a financial plan to meet your new goals. Be determined and focused with a fresh vision for what your financial future holds.

#### KNOWLEDGE CHECK

**Question:** If you named your spouse as a beneficiary for your TSP account, will divorce null that election?

**Answer:** No! Even if you have updated your will, the beneficiary designation will supersede the will. If you wish to update your TSP beneficiary, do so by logging into My Account.

**Question:** What court document allows splitting of retirement account assets without tax implications?

**Answer:** Qualified Domestic Relations Order (QDRO) for 401(k) and Retirement Benefits Court Order (RBCO) for TSP accounts.

## ★ PART FIVE: Insurance

### Play Videos 9 and 10

**Introduction:** Your insurance needs may have changed as a result of the divorce so it's important to revisit this topic. The next two videos will dive into insurance coverage needs and possible updates to life, property, health, and disability insurance.



9. Life Insurance



10. Health, Property, and Disability Insurance

### DISCUSSION QUESTION

#### 1. How might your life insurance needs have changed as a result of divorce?

**Talking Points:** Your life insurance needs may change as a result of your divorce. For example, your divorce decree may specify that you must carry a specific amount of life insurance with defined beneficiaries. For instance, you may be required to have coverage for your ex-spouse for spousal and child support. Remember to use the acronym L-I-F-E when calculating your needs.

- L — Liabilities (debts to be paid off)
- I — Income (to be provided)
- F — Final expenses (to be paid)
- E — Education and other goals (to be funded)

### KNOWLEDGE CHECK

**Question:** How long can your ex-spouse keep Family Servicemembers' Group Life Insurance (FSGLI)?

**Answer:** 120 days

**Question:** How do you update your beneficiary for Servicemembers' Group Life Insurance (SGLI)?

**Answer:** Log into the Milconnect website at <https://milconnect.dmdc.osd.mil/milconnect>. Select Manage my SGLI.

**Question:** When would you consider taking out a disability policy on your ex-spouse?

**Answer:** If your ex-spouse pays alimony or child support to you, and you rely on those specific funds to cover immediate needs, the insurance would protect you if they become disabled.

## ★ PART SIX: Taxes

### Play video 11 and 12

**Introduction:** Your tax situation may have changed as a result of the divorce. It's also important to review and update your estate plan.



11. Potential Divorce Related Income Tax Changes

#### DISCUSSION QUESTIONS

##### 1. How does your divorce affect your tax filing status?

**Talking Points:** If you are divorced as of December 31st, you're considered divorced for tax purposes for the entire calendar year, and you'll typically have to file as single or head of household, if you qualify.



12. Estate Planning Overview

##### 2. Why is it important to update your tax withholdings after a divorce?

**Talking Points:** The single and head of household tax brackets are different than the married tax brackets, so it's important to complete a new IRS form W-4 to adjust the amount of income tax withheld from your paychecks.

You can access your W-4 through Direct Access. If you are a Reserve member with a civilian job, you will need to complete these changes through your employer.

##### 3. What are some legal documents you should consider updating or putting in place after a divorce?

**Talking Points:** It's important to update your estate plan after your divorce, especially if your wishes and plans from when you were married are no longer applicable now. Some common legal documents to update or put in place include; your will which outlines who should receive your assets, a living will that states your wishes regarding end-of life care and power of attorney (medical and durable general) which authorizes someone to act on your behalf for medical and financial decisions.

## ★ PART SEVEN: Conclusion

### Play video 13



13. Final Thoughts

Speak with a Personal Financial Manager or Command Financial Specialist if you have questions or concerns following this discussion on the financial considerations of your divorce. You are not in this alone. Resources are available to assist you as you navigate these changes.