

PERSONAL FINANCIAL MANAGEMENT CURRICULUM

Divorce



Version 1.1

BASIC

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Instructor Preparation

Overview

Divorce provides instructional content that will allow participants to identify key financial impacts of divorce.

Learning Objective

After completing this lesson, participants should be able to:

- Determine how divorce impacts your overall financial situation

The target audience for this lesson is military personnel and family members with a basic to intermediate knowledge of personal financial management.

Prerequisites

- *None, although familiarity with Personal Financial Management Program (PFMP) is expected*

USMC Financial Readiness Pillars

- Plan
- Protect
- Spend

Financial Education Action Point

Completion of this course meets the legal and policy requirements for financial education provided upon the divorce of a Service member. Unit should run the training event code “FH” after Marine completes this course.

Alignment to DoD Instruction 1322.34 Financial Readiness of Service Members

- Understand the fundamentals of creating a managing a spending plan, and the importance of updating a spending plan
- Understand the fundamentals of income tax and common tax benefits, and potential changes to tax situation
- Comprehend the components of Service member’s military retirement system and the importance of preparing for retirement
- Discuss the reasons, needs, types, and options for purchasing insurance
- Understand purpose and implications of estate planning (e.g., beneficiaries, wills, trusts, power of attorney, etc.)
- Discuss TRICARE options and cost
- Discuss survivor and dependent benefits, including Survivor Benefit Plan and Service members’ Group Life Insurance
- Recognize the importance of and be able to develop savings and an emergency fund
- Understand education financing, to include available benefits, obligations, and repayment options

Divorce

Timing

You should complete this lesson within 45 minutes.

Topic	Time
Lesson Introduction	2 minutes
Determining Your Current Financial Status	10 minutes
Financial Impact of Divorce	15 minutes
Filing for Divorce	15 minutes
Lesson Summary	3 minutes
Total Time	45 minutes

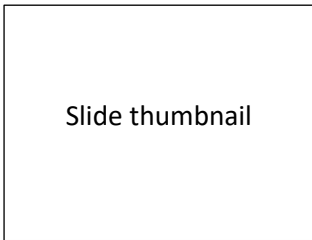




Divorce

Materials




- *Divorce* Instructor Guide
- *Divorce* PowerPoint Slides
- *Divorce* Handout:
 - Online Resources
- Chart paper or whiteboard
- Pens, pencils, paper, markers

Icons

The following icons appear in the left-hand column of the Instructor Guide and serve as visual prompts as you present the training.

Icon	Purpose
<p>Slide X</p> 	Indicates that you will display a slide
	Indicates the time required to complete each topic
	Indicates that you will conduct an activity
	Indicates that you will ask a question to prompt discussion with the participants.
	Indicates that you will distribute a handout

Divorce

Icon	Purpose
	Indicates that you will show a video
	Indicates that you will transition to the next topic
	Indicates that the instructor or participants will record key points on a chart paper

Lesson Preparation

- Make sure you have reviewed all materials, including the online resources, prior to teaching this lesson.
- Consider inviting a representative from Base Legal to be present during course delivery in case participants have questions.
- Determine number of copies needed and print out the following handout:
 - *Online Resources* (Filename: HO_Online_Resources.docx)

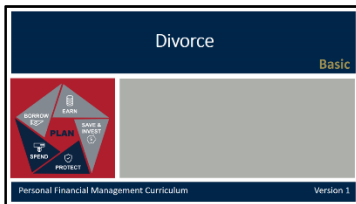
Instructor Presentation

Lesson Introduction



Lesson Introduction: **2 minutes.**

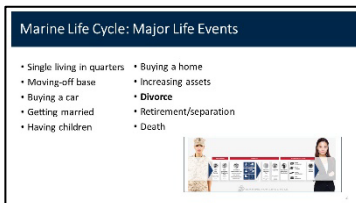
Slide 1



Introduce the lesson.

- Welcome to *Divorce*.

Slide 2

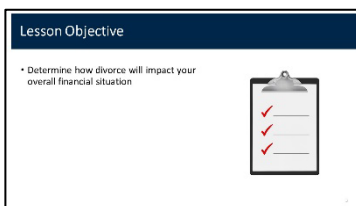


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Explain that divorce is a major life event.

- Divorce and marital separation are unfortunate realities for many in uniform, and these situations can become a source of financial difficulty. Quite often, individuals who are in the midst of a divorce do not know which financial decisions will best serve their long-term interests.
- For anyone experiencing this challenging life event, it is important to take the time to evaluate their financial situation and have an understanding of financial obligations and assets. This lesson can assist in getting a couple’s financial house in order.

Slide 3



Provide the learning objective.

- After completing this lesson, you should be able to:
 - Determine how divorce impacts your overall financial situation



Transition to the first topic.

- We will begin this lesson by discussing the importance of assessing your current financial situation.

Determining Your Current Financial Status



Determining Your Current Financial Status: **10 minutes.**

Explain the importance of examining your finances when you start the divorce process.

- The decision to get divorced is a stressful one. It also involves an honest look at your financial status.

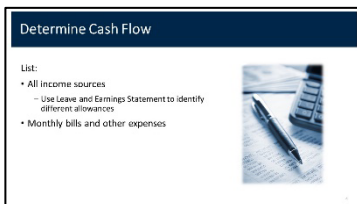
Ask:

- Why is it important to assess your current financial status when divorcing?

Once a couple has a full grasp of their current financial situation, decisions can be made to help ease the stress of divorce.



Slide 4

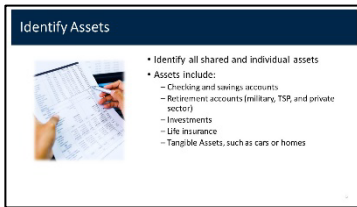


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Discuss the importance of understanding your cash flow.

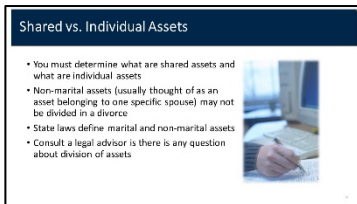
- One of the first steps is to identify your cash flow each month.
- Make note of all current income sources, such as military pay, the spouse's pay, rental property income, etc.
- Use Leave and Earnings Statements (LES) to help determine gross monthly pay, including basic pay, Basic Allowance for Housing (BAH), Basic Allowance for Subsistence (BAS), cost-of-living allowance (COLA), and any additional allowances such as jump pay, family separation allowance, hostile fire pay, hazardous duty pay, or hardship duty location pay.
- Please note that while it is valuable to understand the total amount of all the pay and allowances listed above, when determining income for spousal support, COLA, jump pay, family separation allowance, hostile fire pay, hazardous duty pay or hardship duty location pay change regularly and are dependent on many changing factors such as the Marine's unit, and deployment status.
- Be sure to compile a list of monthly bills, noting any monthly liabilities such as outstanding loans payments, credit card debt, and expenses related to any children (shared or otherwise).

Slide 5



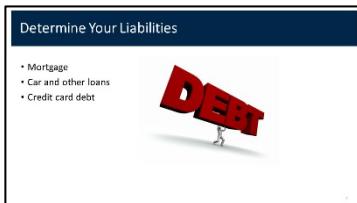
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Discuss the importance of looking at all assets.

- Identify all shared and individual assets
- Assets include:
 - Checking and savings accounts
 - Retirement accounts (military, TSP, and private sector)
 - Investments
 - Life insurance
 - Tangible assets, such as cars or homes

Distinguish between individual and shared assets.

- It is important to distinguish between shared and individual assets.
- Certain assets, such as non-marital assets, may not be divided in a divorce. A non-marital asset is generally thought of as an asset belonging to one specific spouse (not both). These can include property, savings accounts, inheritance, and gifts.
- In the case of divorce, all marital assets or any asset acquired that incurs debt during the marriage are considered debts of both spouses.
- However, the specific definition of marital and non-marital assets typically is defined by the law of each state and can be specific to each couple’s situation.
- This issue can become highly complex and confusing. If that is the case, or you have any questions about the division of assets, you should consult a legal advisor.

Explain they should next determine their liabilities.

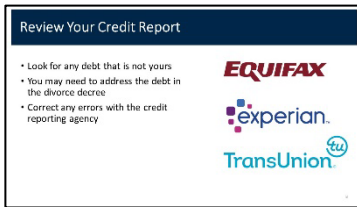
- Many couples only think about dividing their assets when going through a divorce. Equally important is considering personal and joint liabilities such as:
 - Mortgage
 - Car and other loans
 - Credit card debt
- Both spouses typically are responsible for outstanding liabilities, which can affect how the assets are divided.

Ask:

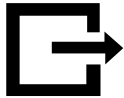
- Why should you get a copy of your credit report when planning your divorce?

To ensure your spouse’s debts are not on your report.

Slide 8



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Discuss the importance of requesting a copy of their credit report when planning a divorce.

- Scrutinize your credit report to ensure that it is accurate.
- You may need to address any debt as part of your divorce decree.
- In certain situations, after the divorce you may find you have to provide justification regarding certain items (debts or red flags) on your credit report (e.g., when applying for a loan to buy a home).
- If you see any errors, call the credit reporting agencies and begin the process to have the errors corrected.
- Knowing your credit history may help you in the event of questions concerning an ex-spouse’s business liabilities and existing debts. If you find yourself on your own, a good credit history will boost your ability to borrow money.

Transition to the next topic.

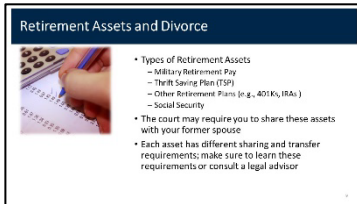
- Now let’s look at the impact divorce can have on your finances.

Financial Impact of Divorce



Financial Impact of Divorce: **15 minutes.**

Slide 9



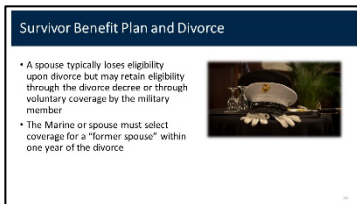
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Examine how divorce can impact retirement assets.

- Military Retirement Pay
 - A federal law, the Uniformed Services Former Spouse Protection Act (USFSPA) 10 USC 1408 gives the states the authority to make rules concerning if, when, and how much of the disposable military retired pay should be awarded to the former spouse of the Service member.
 - Every state has given their divorce judges authority to divide military pensions and has set out rules for doing so.
 - There is no minimum number of years a couple must be married before the court can divide the military member's pay.
 - However, for the non-military spouse to receive direct payments from the Defense Finance and Accounting Service (DFAS), the couple must have been married for at least 10 years, during which the military member must have served at least 10 years.
- Thrift Savings Plan (TSP)
 - As part of the divorce, you may be required to divide your TSP account. It may award to your current or former spouse, or to your dependents, a specified dollar amount - or a portion of your account - as of a specific past or current date.
 - It will require the TSP to freeze your account, preventing you from taking any loans or withdrawals until the award is paid out or the order is otherwise resolved.
 - The best place to learn more is from the TSP website at: <https://www.tsp.gov/LifeEvents/personal/spouse/separation.html>
- Other Retirement Plans
 - You may be required to share assets in retirement plans.
 - There are different rules for 401(k)s and IRAs.
 - It is important to understand these rules to ensure proper transfer and tax payments.

- Social Security
 - Some Marines are eligible to receive both military retirement pay and social security.
 - If your marriage lasted 10 years or longer, your spouse can receive benefits on your record (even if you have remarried).
 - If your spouse remarried, he/she generally cannot collect benefits on your record unless their later marriage ends.
 - You should contact the Social Security Administration for more details.

Slide 10

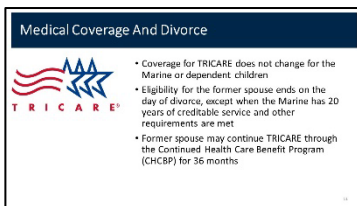


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Discuss the Survivor Benefit Plan (SBP) and divorce.

- If your divorce decree contains no language mandating you to elect Former Spouse coverage, then you have complete freedom to either have the former spouse removed from the plan or to voluntarily continue the coverage.
- If you remove your former spouse from the plan, any premiums deducted beyond the date of divorce will be refunded. If you choose to voluntarily cover your former spouse under the plan, you have until one year after the date of divorce to do so.
- If your divorce decree requires you to cover your former spouse, either you or your former spouse must declare your intentions to claim Former Spouse SBP coverage in writing within one year of the date of divorce.
- The best place to learn more is from the DFAS website at: <https://www.dfas.mil/retiredmilitary/provide/sbp/coverage.html>

Slide 11



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Explain the impact of divorce on medical coverage.

- Coverage for TRICARE does not change for the Marine or dependent children.
- Eligibility for the former spouse ends on the day of divorce, except when the Marine has 20 years of creditable service and other requirements are met.
- Former spouse may continue TRICARE through the Continued Health Care Benefit Program (CHCBP) for 36 months.
- The best place to learn more is from the TRICARE website at: <https://tricare.mil/LifeEvents/Divorce>



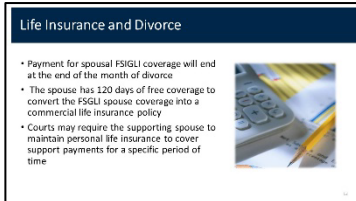
Ask:

- What is the possible impact of divorce on your housing situation?

Possible response includes:

- *If you return to single status, you may be required to live in government quarters. You cannot assume you can continue to live in your home if you are no longer married.*

Slide 12



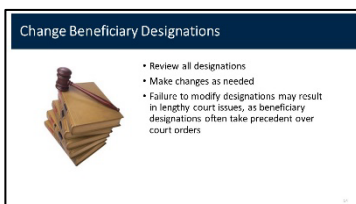
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Slide 13



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Slide 14



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Examine the impact of divorce of life insurance.

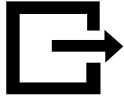
- Payment for spousal FSGLI coverage will end at the end of the month of divorce.
- The spouse has 120 days of free coverage to convert the FSGLI spouse coverage into a commercial life insurance policy.
- Courts may require the supporting spouse to maintain personal life insurance to cover support payments for a specific period of time.

Explain the importance checking all insurance policies.

- Review all policies.
- Reevaluate coverage.
- Request they be issued in your name.
- Review and update beneficiary information.

Review the importance of changing beneficiary designations.

- Review all designations.
- Make changes as needed.
- Failure to modify designations may result in lengthy court issues, as beneficiary designations often take precedent over court orders or wills.
 - For example, if you complete a beneficiary designation form for the TSP and designated your spouse as your beneficiary, your account will be paid out to that spouse when you die, even if you are separated or divorced from that spouse or have remarried unless you updated your TSP beneficiary designation. The TSP will **not** honor a will, a property settlement agreement, separation agreement, or court order when distributing your TSP account.



Transition to the next topic.

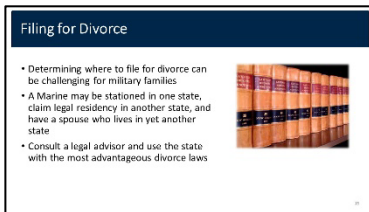
- Now let's talk a little more about filing for divorce.

Filing for Divorce



Filing for Divorce: **15 minutes.**

Slide 15

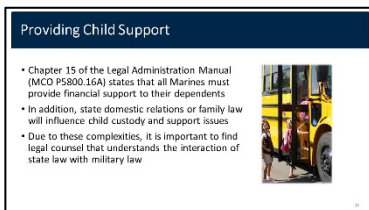


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Explain the challenge of determining where to file for divorce.

- Determining where to file for divorce is a question that often plagues military families.
- A Marine may be stationed in one state, claim legal residency in another state, and have a spouse who lives in yet another state.
- Since you may have more than one jurisdiction available to you when filing for divorce, you should consult your legal advisor to determine which state has the most advantageous divorce laws.

Slide 16



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Discuss child support.

- Chapter 15 of the Legal Administration Manual (MCO P5800.16A) states that all Marines must provide financial support to their dependents.
 - If there is a court order for support, the Marine is obligated to provide the amount designated in the court order.
 - If there is a separation agreement, the Marine is required to comply with the dependent support provisions of the separation agreement.
 - If and only if there is neither a court order nor a separation agreement, and a complaint for nonsupport has been made to the command, then the support amount is determined by using the interim support chart required under the Order.
- In addition, state domestic relations or family law will influence child custody and support issues.
- Due to these complexities, it is important to find legal counsel that understands the interaction of state law with military law.

Slide 17

Spousal Support

- Spousal support or alimony is a court-ordered financial provision for a former spouse after during separation or after divorce
- For short marriages or when the couple is young, alimony may not be required or required for only a short time
- In longer marriages, it may be required by the court
- Get legal advice if alimony is a possibility



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Discuss spousal support.

- Spouse support or alimony is a court-ordered financial provision for a former spouse during separation or after divorce.
- For short marriages or when the couple is young, alimony may not be required or required for only a short time.
- In longer marriages, it may be required by the court.
- Get legal advice if alimony is a possibility.

Ask:

- Why is it important to adjust your budget when going through a divorce?


Possible responses include:

- *Your income is going to change.*
- *You will lose your spouse’s income.*
- *Your BAH will change.*
- *You may be either paying or receiving alimony and child support.*
- *You must pay for the cost of legal services related to the divorce.*
- *The divorce will come with some sort of property settlement, so each spouse will have some sort of responsibility.*

Slide 18

Execute a Financial Strategy

- Work with a financial management counselor to develop a short-term and long-term financial strategy
- Include your needs and wants as well of those of any children



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Discuss the importance of having a financial strategy.

- Your civilian financial advisor or military financial counselor can help you develop a strategy that accounts for your long- and short-term financial goals, your age, risk tolerance, and other concerns.
- Your strategy also should consider issues such as career development, retirement, estate planning, paying for a child’s education, insurance, your savings, and banking and credit issues.
- Every divorce deserves special attention and should include consideration of the unique facts and circumstances that are part of the military lifestyle. Consult with a qualified team of advisors, such as your military or civilian financial advisor and legal assistance office.

Review some of the financial impacts of divorce.


- Divorce can have many financial impacts.
- Let's review a few questions and discuss the options.

Slide 19

Divorce: Question #1

You must be married to your spouse for at least 10 years before your former spouse can be awarded part of your retirement pay.

a) True
b) False



Present the first question and solicit responses.

- **Question 1:** You must be married to your spouse for at least 10 years before your former spouse can be awarded part of your military retirement pay.


*Correct response: False. According to DFAS, every state has given their divorce judges authority to divide military pensions and has set out rules for doing so. There is no minimum number of years a couple must be married before the court can divide the military member's pay and no requirement to share retirement. However, for the non-military spouse to receive **direct** payments from the Defense Finance and Accounting Service, the couple must have been married for at least 10 years, during which the military member must have served at least 10 years.*

Slide 20

Divorce: Question #2

If you were married at least 10 years, your unmarried spouse can receive social security benefits on your account at age 62 if it is more than their own account.

a) True
b) False



Present the second question and solicit responses.

- **Question 2:** If you were married at least 10 years, your unremarried former spouse can receive social security benefits on your account at age 62 if it is more than their own account.


Correct response: True. According to the Social Security Administration, "If you are divorced, but your marriage lasted 10 years or longer, you can receive benefits on your ex-spouse's record (even if they have remarried) if: you are unmarried; you are age 62 or older; your ex-spouse is entitled to Social Security retirement or disability benefits; and the benefit you are entitled to receive based on your own work is less than the benefit you would receive based on your ex-spouse's work."

Slide 21

Divorce: Question #3

If you divorce, you must continue coverage for SBP for your former spouse.

a) True
b) False
c) It depends on the divorce decree



Present the third question and solicit responses.

- **Question 3:** If you divorce, you must continue coverage for SBP for your former spouse.


Correct response: It depends on the divorce decree. According to DFAS, "A divorce's impact on SBP election depends not only on your wishes, but also on the requirements imposed by the court-ordered divorce decree."

Slide 22

Divorce: Question #4

Your former spouse may convert FSGLI coverage to a commercial life insurance policy.

a) True
b) False
c) It depends on the divorce decree



Present the fourth question and solicit responses.

- **Question 4:** Your former spouse may convert FSGLI coverage to a commercial life insurance policy.

Correct response: True. According to VA, "The spouse has 120 days of free coverage beginning the date of divorce. During this period, the spouse has the opportunity to convert the FSGLI spouse coverage into a commercial life insurance policy."

Slide 23

Divorce: Question #5

Joe divorced his first wife, remarried, and recently passed away. He left everything in his will to his new wife but forgot to change his TSP beneficiary designation. Who gets his TSP funds?

a) His current wife
b) His former wife
c) It depends on the divorce decree

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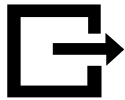
Present the fifth question and solicit responses.

- **Question 5:** Joe divorced his first wife, remarried, and recently passed away. He left everything in his will to his new wife but forgot to change his TSP beneficiary designation. Who gets his TSP funds?

Correct response: His former wife. According to the TSP "If you designated your spouse as your beneficiary, your account will be paid out to that spouse when you die, even if you are separated or divorced from that spouse or have remarried. The TSP will not honor a will, a property settlement agreement, separation agreement, or court order when distributing your TSP account."

Transition to the next topic.

- Now let's summarize what you have learned.

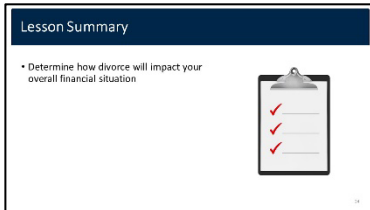


Lesson Summary



Lesson Summary: **3 minutes.**

Slide 24



Summarize key learning point.

- Now that you have completed this lesson, you should be able to:
 - Determine how divorce impacts your overall financial situation



Ask:

- Are there any questions or comments about *Divorce*?



Distribute the resources handout.

- This *Handout: Online Resources* identifies where to get additional information.

Instructor Resources

Key Terms

- **Child Support:** Court-ordered payments, typically made by a noncustodial divorced parent, to support one's minor child or children.
- **Command Financial Specialist (CFS):** A unit level E-6 or above designated by the command and trained by the Personal Financial Management (PFM) counselor to provide financial classes and basic counseling to Marines within the unit.
- **Court Decree:** The final ruling of the judge on an action for divorce, legal separation, or annulment. Decree has the same meaning as judgment.
- **Divorce:** The legal proceeding by which a marriage is legally terminated.
- **Legal assistance:** Legal advice, counseling, and other help provided by the Base Legal Services Office to eligible clients pertaining to their personal legal affairs.
- **Legal Services Office:** An office on a military installation providing legal assistance services to eligible clients.
- **Major Life Event:** Events that may be sudden in nature or have evolved over time and often causes financial challenges and stress. Examples include: death, divorce, marriage, separation, retirement, unemployment, health, and parenthood.
- **Spending plan:** A written budget that allows an individual to achieve financial goals through proper management of money from paychecks and other sources of income. This plan allots specific amounts of money for particular uses. It is more commonly referred to as a budget.
- **Spousal support:** A court-ordered financial provision for a former spouse during separation or after divorce. Also sometimes called "alimony."

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