



managing the life & wealth

transitions of divorce

WHEN A COUPLE “TIES THE KNOT,” THEY COM-bine their lives, and often, their finances. That’s why when a marriage ends, the couple must deal not only with the emotional aspect of their separation, but also with the division of their possessions and assets.

Dividing accumulated assets can be expensive and complicated. To successfully navigate this transition, you’ll want to surround yourself with professionals who understand your goals and have your

impact of divorce on her long-term financial goals.

Helen recruited her Financial Advisor, an attorney, and accountant to help her set realistic goals for her life during and after the divorce. Her Financial Advisor helped her stay focused on priorities, which included having sufficient funds for the boys’ college education and her retirement.

“My divorce team suggested that I seek a written commitment from Bill to contin-

amount as Bill. By continuing to contribute the maximum amount to my current employer’s retirement plan, I’m able to keep my retirement goal on track and avoid the process of dividing Bill’s plan assets.”

Accounting for your assets

While every divorce is different and involves its own set of unique issues, the one common denominator in divorce is that marital assets must be allocated. What can compound the challenges of divorce are the many forms of compensation given to today’s high-level executives, as in Helen’s case.

Accounting for assets in divorce proceedings can include stock options, equity ownership, restricted stock, deferred compensation, qualified retirement plans, airline miles, season tickets, company cars and other benefits in addition to old-fashioned salary and bonus.

Here’s how two popular types of executive compensation may be treated in divorce.

1. Stock Options – Work with your divorce team to identify the type and number of stock options in order to determine how the options will be treated in divorce. Many states consider vested options marital property, and you may be entitled to a large portion of the stock options, which could become very valuable in the future if they are not already.

2. Retirement Plan Benefits – If you are getting a divorce now you may not realize that these benefits can still be subject to division. Retirement savings plans such as 401(k)s often can be liquidated and easily split. However, if cashed out and distributed too early, large tax penalties can be incurred.

There’s a lot to think about

Before the divorce, gather and organize important financial documents, such as bank and brokerage statements, property titles, insurance policies, and tax returns, going back three to five years. Obtain your credit report and address any problems quickly. If you or your spouse owns a privately held company,

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Tackling the different steps and being educated about the process.

best interest in mind. By working with a divorce team – an accountant, attorney and Financial Advisor – you can better identify your priorities and ensure you achieve the future you desire.

There’s little question that divorce is a major life event, but this can also be a time to look ahead to the next chapter of life. The following is an example of how one woman navigated her way through divorce.

Helen’s story

Helen and Bill were married for 12 years and had two sons, aged three and five. Helen was a highly successful executive and Bill, a productive sales manager. She filed for divorce after a long period of dissatisfaction, but worried about the

ue funding our children’s education until they graduate from college,” Helen said. “They encouraged me to free funds for savings by moving to a home requiring less upkeep, and explained that selling the house before the divorce would reduce capital gains taxes for both me and Bill.”

Although Helen was a high earner, she was also concerned that job-switching early in her career may have kept her from accumulating adequate retirement plan assets.

“My Financial Advisor was able to review my complete financial picture,” she said. “He discovered that since I participated in employer-sponsored retirement plans at every job since college, I actually accumulated roughly the same

have a business valuation completed. Make sure you also have health insurance in place.

If remarriage is in the picture, consider the role of prenuptial agreements and commit to staying in control of your finances after you remarry.

At each stage of divorce, it's important to be well prepared. Tackling the different steps and being educated about the process with the assistance of your divorce team can help you feel less overwhelmed and more in control.

Working with a divorce team made up of your attorney, accountant and Financial Advisor, as early as possible, can help you approach negotiations with a clear picture of where you stand today and what kind of settlement may best support your goals.

Your Financial Advisor, particularly one with experience in the area of divorce, can be an important member of that team. Together they can help you manage this transitional time so that you can look ahead to the future and work towards achieving the life you want.

Deborah Culverhouse is a Merrill Lynch Financial Advisor in the Kennewick, Wash. office. A Certified Financial Analyst, Deborah has more than three years of experience working with financial tasks that come with life's transitions such as divorce. She has been in the industry for 14 years. An active member in her community, Deborah is a board member of the Carson Kolzig foundation, benefiting autism.

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