AMG National Trust
A Better Way To Wealth

SPECIAL REPORT:

Visualizing a Financial Path through Divorce

Thriving financially after a high-net-worth divorce

Navigating a divorce can be emotional and challenging. It can be overwhelming to make decisions while grieving your old life without a clear vision of what is ahead. It is a time of great uncertainty—and can have a significant financial impact, especially where there is meaningful wealth involved.

The divorce process requires making potentially life-altering decisions in an environment where often you don't know what you don't know. While family and friends may provide emotional support during a difficult time, it is also important to closely engage with experienced advisors who focus on your interests with specialized expertise to help you through each stage of the process, including:

- Financial advisor
- Divorce attorney
- Trust & estate attorney

Assembling your advisors in advance of any key decisions can give you reassurance that you are thinking not only of today but well into tomorrow. Each member of your team will have their area of expertise, and you may continue to rely on some of them long after the divorce is final. By offering clear and objective options for safeguarding your wealth, your financial advisor and/or wealth manager are uniquely suited for the team. This expertise and visibility allow them to create a framework for decision-making that can give you an edge during and after the divorce proceedings.

6 Essential Considerations for a Successful Settlement

Start With the Basics: Make a detailed list of all the marital assets and liabilities to be split, as well as what may be considered separate property. This is also the time to identify your future financial needs, including how to maintain your credit. When dividing assets, determine whether the value you are looking at on paper is pre-tax or after-tax.

Stay in Home or Start Fresh?: For the sake of continuity in your life, determine whether you wish to stay in the family home and near your circle of friends and organizations, or sell and start fresh.

Child Support and Co-Parenting: While a divorce court will determine the amount of child support and the parenting time arrangements, it's a good idea for parents to consider custody and parenting arrangements in advance, as well as planning for college and other education-related expenses.

Identify Incomes and Spousal Support: Current incomes, household budget, and spending needs will factor into spousal support in the final agreement—and can lay the groundwork for your financial future.

Don't Overlook these Investments: Equally impactful for high-net-worth individuals can be an evaluation of assets such as stocks, retirement accounts, trusts, family businesses, collectibles, and intellectual property.

Adjust Insurance for New Life: You should review property, life, and auto insurance policies for your new life and the assets that will be solely in your name. In particular, look at who you want as beneficiaries.

Start With the Basics

Whether you are going through a collaborative, mediated, or litigious divorce, you and your spouse will want to consider what terms you would accept in the divorce settlement, which can take a year or more to finish.

Splitting Assets in Divorce

Courts divide marital assets according to guidelines set out by state law; alternatively, you and your spouse may come to your own agreement on the division of assets. In either case, you should note that equitable division of marital property does not necessarily mean a simple 50-50 division of each asset between spouses. It could involve a discussion of the fair market value of total marital property and what the equitable division of it might be—for example, 50-50 or pro rata based on income contributed to the household or some other metric—and then allocating specific assets to fulfill the agreed-upon split.

Determine When Marriage Has Ended

The end date of a marriage varies by state—some states use the day the couple separated, the date the divorce petition was filed, or when the divorce was finalized.

Community Property & Common Law States

For couples living in community property states, an asset or liability is generally considered the equal property of both parties if acquired during marriage, with some exceptions.

Currently, there are nine community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. Some other states allow couples to elect community or common property law.

Most states are common law property states where an asset or liability is generally the property of the person to whom it is titled regardless of when it was acquired. These states typically distribute marital property based on an agreement of the parties or in a manner that the court deems "fair" to both parties, but not necessarily equal. This is called "equitable distribution."

Property could be considered non-marital for reasons such as it was so defined in a prenuptial or postnuptial agreement, it was acquired before the marriage or after the date of separation, or it is considered owned by one or the other spouse by the way in which it was titled during the marriage. Consulting with a divorce attorney generally is beneficial in navigating state laws when splitting assets.

When working to settle the division of assets in your marriage, it can be helpful to consider what each spouse contributed to the marriage and forecast your future income and spending as independent households. These expectations also can inform petitions for alimony and child support.

To prepare for negotiation of a divorce settlement agreement, you should have a list of marital assets and liabilities as well as income and expenses. The "Checklist of Financial Disclosure Items" on the next page covers many common items that generally are required to be disclosed in divorce proceedings.

Property Settlement Agreement

A property settlement agreement typically delineates who gets what and how.

As soon as possible, start gathering documents such as a net worth statement or pay stubs, tax returns, brokerage and retirement account statements, Social Security benefit statements, property purchase records and titles, appraisals, insurance documents, and private business records. Be sure to get relevant details such as dates acquired, initial valuation or cost basis, improvements made, current valuations, maintenance costs and estimates for any deferred maintenance such as a new roof or HVAC system in the future.

You should also have all documents related to your children, any estate planning documents such as wills, trusts, medical directives, and powers of attorney, and any prenuptial or postnuptial agreements.

Determine Your Future Needs

It can help to have thorough accounting records and rigorous future financial planning forecasts. These may help you make a clear-eyed assessment of your needs versus wants, and your non-negotiables versus nice-to-haves when planning your future financial life.

Checklist of Financial Disclosure Items

Income & Assets

- ❑ Employment income (e.g., salary, bonus)
- ❑ Bank account balances (e.g., checking, savings)
- ❑ Investment account balances
- ❑ Investment income (e.g., interest, rental income)
- ❑ Future employment income (e.g., deferred compensation awards, stock options)
- ❑ Retirement account balances (e.g., pensions, 401(k)s, IRAs, Social Security)
- ❑ Education savings account balances (e.g., 529s)
- ❑ Health savings account balances (e.g., FSAs, HSAs)
- ❑ Cash-value insurance policies and annuities (e.g., whole life)
- ❑ Vehicles (e.g., automobiles, recreational vehicles)
- ❑ Real estate holdings (e.g., primary residence, vacation home, time share, investment property)
- ❑ Private business interests
- ❑ Memberships and licenses (e.g., private club, golf club, fractional jet share, season ticket rights, rewards points, and frequent flyer miles)
- ❑ Intellectual property (e.g., patents)
- ❑ Personal property (e.g., clothing and jewelry, furnishings, art, antiques, wine, liquor)
- ❑ Digital property (e.g., domain names, social media accounts, websites)
- ❑ Other investments/private capital

Expenses & Liabilities

- ❑ Credit card balances
- ❑ Monthly household costs (e.g., food, utilities)
- ❑ Education expenses
- ❑ Healthcare expenses
- ❑ Activity and hobby expenses (e.g., kids sports, camps)
- ❑ Tax liabilities (state and federal)
- ❑ Insurance premiums
- ❑ Outstanding medical bills
- ❑ Student loans
- ❑ Personal loans
- ❑ Mortgage loans
- ❑ Home equity loans
- ❑ Vehicle loans

Tax Implications Buried in Each Decision

Selling, transferring, or splitting an asset often has important personal tax implications, particularly with higher amounts of wealth or complicated compensation structures for either spouse. Because taxes can erode the value of the assets a party receives, it is also crucial to understand whether the value that appears reasonable at first glance is the pre-tax or after-tax value. Your financial advisor can look at the tax implications of proposed asset divisions and other events, such as whether to accept homes or other properties based on their current value and the potential capital gain or loss if you were to sell.

File A Joint or Single Return

Your marital status on December 31 determines your federal filing status for that tax year, so plan accordingly. If the divorce is not finalized until the following year, you will have to file taxes for the previous year as married filing jointly, married filing separately, or head of household. States may have their own unique tax situations.

Understand & Maintain Your Credit Score

Undergoing a divorce itself does not necessarily impact your credit, but peripheral factors can. For example, reductions in available credit may lower your credit score. Consider whether new cards opened in your name would help your credit score; the steady repayment of bills typically remains the best method to restore financial equilibrium.

To get started on building your finances on your own record, you should request your credit report from Equifax, TransUnion, or Experian to confirm all open credit accounts and loans. If your former spouse managed most of the finances during marriage, it is a good idea to confirm that you aren't liable on any credit you don't control.

Handling Joint Debt

Whether it is a credit card, student loan, medical debt, mortgage, personal loan, or any other debt obligation, if you took on debt with your spouse, you both are generally responsible for repayment. Although the divorce decree may split some debts or assign them specifically to one party, the lender may still come after both parties if payments are not made. In cases where debt is assigned to one party, consider including language in the divorce settlement agreement requiring that person to ask the lender to remove the other party's name. If the debts are to be repaid jointly, it is advisable to retain all payment receipts.

Stay in Home or Start Fresh?

Where you live and likely have your network of friends, associates, and social contacts can be in jeopardy during a divorce. Again, this is why having a good team of financial and legal advisors is important. They can help you think through the financial aspects of your decisions about your home and other real estate holdings and things like your children's school(s), social and country clubs, season tickets, and other memberships.

Real Estate

Primary residence

A home can be one of the largest assets owned by a couple. Determining fair market value is crucial for a fair settlement, as well as deciding who will be responsible for the mortgage, property taxes, and any other costs associated with the property.

If one spouse keeps the home, the divorce decree may set a deadline to refinance the property in that spouse's name and establish the amount required to buy out the other spouse's share. Refinancing could be costly depending on the interest rate environment at the time of refinance. However, moving to a new home can also have drawbacks depending on the cost of a new home and the supply of housing.

Couples may also have a home equity line of credit (HELOC) on the property, and the divorce decree should specify who will be responsible for that debt.

Although it may be tempting to hold on to a primary residence to keep your surroundings and neighbors unchanged, especially for kids, there can be benefits to selling the residence pre-divorce and moving forward independently with cash proceeds. For instance, a couple filing jointly can claim up to a $500,000 capital gains tax exclusion if they have lived in the home for two of the five years before the sale.

> **Only One Name on Deed**
>
> A sometimes-overlooked consideration for a spouse who keeps the home is to have the former spouse's name removed from any deeds or other rights and obligations on the property.

> **Selling the House after the Divorce**
>
> You may qualify for a partial capital gains tax exclusion if the house is sold after the divorce. You should talk with your wealth or tax advisor to see what would be best in your unique situation.

Another option is to rent the home to gain a steady income stream, while retaining optionality to respond to shifting housing market conditions.

Vacation home

One spouse may consider making a vacation home his or her primary residence. However, these homes may be in communities with a higher cost of living and/or their location may not be convenient for career or lifestyle. If you have children living with you, also consider school options.

Timeshare

Timeshares can be difficult to value because you don't actually own a specific property—rather, you own a right to the use of a property. If a timeshare is deemed a marital property, it's subject to division. And while it may be considered an asset, it also can be a liability, depending on the monthly or annual costs.

There may be a reseller market if you choose to sell, subject to the terms of the timeshare agreement. Or, if one of you wishes to keep the timeshare, an appraiser will likely have to determine a value.

Rental property

An existing rental property can provide a steady cash flow that either or both of you may wish to keep. The value may factor things like present market price and the present value of future rental income.

Clubs, Memberships & Tickets

These can be big-ticket items like private clubs and country clubs, season tickets, or fractional jets shares, and they may involve contracts. If so, the fine print may specify how any guidelines may be applied in the event of a divorce. Otherwise, they may be able to be divided as part of marital assets.

Private clubs and country clubs

Generally, ownership will pass to the specified primary member. The value of the membership, though, will be part of the final divorce settlement. There may be language in the membership contract that speaks to how privileges are applied to divorcing couples.

Fractional jet shares

Divorce does not necessarily force spouses to sell their shares or force one spouse to buy out the other's interest and stop using the asset. However, the terms of use and who will bear the cost should be spelled out in the settlement agreement.

Season tickets

Season tickets to sporting events, concerts, theater, and other entertainment venues can be big-ticket items. The most direct way to divide such tickets would be to sell and split the proceeds. However, the terms of the ticket purchase agreement may restrict or limit a resale. One spouse could buy out the other, or the settlement might specify that the spouses split the tickets, with an agreement on how many events each will attend, as well as who will pay the annual cost of the tickets.

Rewards Points and Frequent Flyer Miles

The credit card provider or airline may be able to put a value on these points or miles or allow members to divide and transfer them into a comparable new membership.

Child Support and Co-Parenting

There is an oft-used statement about co-parenting after ending a marriage: You are the ones getting a divorce, not your kids. When circumstances allow, keeping a constructive relationship with your former spouse throughout a divorce can support the well-being of you and your children.

Custody, parenting arrangements, and basic child support stipulations are typically required in divorce decrees. Parents may want to come to agreement themselves on whether there will be a primary custodial parent, visitation schedules, and how to equitably share in the costs of raising their children, which all will generally be subject to court approval. Otherwise, the court will create and decide a plan for them.

Each state has its own formula for calculating the total child support obligation and how it might be shared. Factors affecting the calculation include each parent's income, the number of children, whether there is a primary custodial parent, and the children's time spent with each parent.

Basic child support payments may focus on the amount needed to maintain an adequate lifestyle when providing food, shelter, clothing, health insurance, and medical expenses. Health coverage will typically be required for children, such as through a working parent's employer plan or by purchasing a private plan. The settlement should specify who is responsible for providing coverage and paying premiums. Alternatively, parents may agree to share insurance and other medical-related costs for children.

Added stipulations can clarify how parents will share in other expenses for children. These may include expenses such as private school fees, hobbies and entertainment, and extracurricular activities such as travel sports teams and summer camps. Divorce decrees can be as specific as both parties wish, for example, providing who will pay for future season ski passes. They also can be written to be more aspirational, saying that the parties agree to an equal share or pro rata share of additional expenses related to the children, for example.

Who Gets the Pets?

Although we love our pets, often like our own children, in most states they are considered property to be valued and divided in a divorce, if acquired during the marriage. If an agreement over the custody of the pet cannot be reached amicably, a court would decide custody based on factors such as sentimental value, who has cared most for the pet, whose lifestyle is best conducive to caring for the pet, and, if there are children, which household will be taking primary child custody. Pets often go with kids. As with child custody and parenting arrangements, pet visitation rights can be negotiated.

Also, the decree should specify which spouse is the custodial parent (the one with whom children live for most of the year). The custodial parent can claim the children as dependents for income tax filings and can potentially take advantage of the Child Tax Credit or other credits. In the uncommon instance of children living with both parents for equal periods of time, it generally makes sense for the parent with the higher adjusted gross income to use the deduction.

As with all things related to a divorce settlement, a final agreement should be as detailed as will be constructive for the parties involved. Sometimes more detail is better.

Educational Expenses

Child support can include specific amounts for minor children's school-related costs. After children turn 18, parents may consider ending education-related support, but some states, such as Colorado, New Jersey, and South Carolina, grant courts the authority to order a non-custodial divorced parent to pay some college expenses of their children. The amount of support can vary based on income, investments, and savings, among other factors.

529 Plans

A 529 college savings plan is considered a completed gift and it is held in one parent's name (as the owner), and the owner, rather than the beneficiary (the child), retains control of how the money is used. It's possible, therefore, for the owner to change the beneficiary and use the funds for someone else, unless the divorce decree specifically states otherwise. Coverdell Education Savings Accounts are handled similarly.

Which parent's income is reported for student financial aid?

Millions of families complete a Free Application for Federal Student Aid (FAFSA) form for college aid each year. The FAFSA form should be completed by the custodial parent, who will use only their reported income, which will include child support and alimony. If the child spent equal time with both parents, the custodial parent is the one who provided the most financial support. There may be a financial aid advantage, then, for the child to live slightly more than half the year with the parent who has the lesser income.

Identify Incomes and Spousal Support

Your level of income after divorce is integral to creating your future financial security. Whether you are in your working years or in retirement, there are several sources of future income to consider. Establishing each spouse's income during divorce negotiations will help inform the final decisions on spousal support and division of assets.

Employment Income

Typically, several years of pay stubs, W-2 income statements, and tax returns will be requested to verify each spouse's annual income. If the income streams are variable (e.g., they include commissions, bonuses, overtime, or dividends), they may be averaged in a reasonable manner.

Placing a value on other forms of compensation, such as stock options or other deferred compensation, is less straightforward. In addition, knowledge of other income may be forgotten because they may not be listed on tax returns, W-2s, or other statements. Therefore, it is important to communicate with employers to determine the full scope of each spouse's compensation packages.

Stock Options: Deferred Distribution vs. Present Valuation

Two common options for placing a value on stock options are deferred distribution (the employee's ownership of shares is delayed to a future date where the value may be higher or lower than today) and present valuation (current fair market value). Either method should include a calculation of tax liability. The divorce decree can go into great detail about when to exercise the options while also specifying the payout percentages to either spouse and the accompanying tax burden.

Executive Deferred Compensation Plans

These plans generally are tax-deferred savings options for executives who have maxed out their 401(k) contributions but who have additional income to invest. The amount invested in deferred compensation during a marriage can be considered an asset to be split.

Deferred compensation can be tricky in that the beneficiary may be taking on the credit risk of a company. If the company goes bankrupt, deferred compensation generally is considered an unsecured debt and can suffer a total loss. Agreeing to a trade-off for other assets of comparable value may help protect against such a potential loss.

Social Security

Receiving all the Social Security benefits you are eligible for can help enhance your retirement lifestyle. A 2023 report, however, found that 44% of Americans surveyed indicated they did not know they may be able to collect Social Security benefits on a former spouse's work record.

One of the requirements to be eligible for Social Security benefits based on your former spouse's record is that you must have been married for at least 10 years. This may be worth factoring in if you are considering filing for divorce but haven't quite reached 10 years of marriage yet.

Typically, all of the following conditions also must apply to be eligible for benefits on a former spouse's work record (further details can be found on SSA.gov, the Social Security Administration website):

- Your former spouse is eligible for retirement benefits or Social Security Disability Insurance benefits.
- You are not remarried, unless you were over age 60 when you remarried, or your later marriage ended in annulment, divorce, or death.
- The benefit from your former spouse's work record is more than what you would receive from your own work record.

You can claim your spousal benefit if your former spouse is already receiving benefits. Otherwise, the divorce must have been finalized at least two years earlier for you to claim it.

Spousal Maintenance

Spousal maintenance (alimony) includes payments made by one party to financially support the former spouse. Alimony is not a required part of every settlement agreement. It is considered justified on a case-by-case basis and can take several forms and last for unique durations.

For example, one spouse could request (or a court could order) temporary support to help set up an independent household, or until they can make work or lifestyle changes to support an independent household.

Alternatively, alimony can be permanent—such as for older individuals or for someone unable to work—or scheduled to expire after a designated period or after a life event, such as a subsequent new marriage.

The amount of alimony can generally be up to about 40% of the paying party's income, but it varies by state and circumstances. If you are unable to negotiate the amount and the case proceeds to litigation, a judge will determine the amount. The rules can vary, but courts will typically consider:

- Both parties' ability to earn and pay
- Standard of living during the marriage
- Length of the marriage
- Age, health, and any other conditions affecting either party
- The ages and needs of minor children
- Time needed for either party to prepare for and find suitable employment
- Contributions such as homemaker or childcare that were provided by one party to help the primary earner's career

When husbands were more commonly the primary breadwinners, alimony was traditionally awarded to wives. More recently, spousal support can go either way because many marriages include two wage earners, and more women are earning a dominant salary. Following the U.S. Supreme Court's Obergefell v. Hodges decision in 2015, alimony orders are also becoming the norm in the dissolution of same-sex marriages.

Tax policy toward alimony has undergone a major change based on whether the divorce was finalized before or after 2019:

- **2019 and later:** Alimony no longer is tax deductible for those paying it nor should it be listed as income by the party receiving it if the divorce agreement was finalized on or after January 1, 2019. The reason for the change was that the Internal Revenue Service discovered a gap of about $3 billion between the amount of alimony being deducted on tax forms and the amount being reported as income by recipients.
- **2018 or earlier:** The payments generally remain deductible on tax returns and the recipient must continue to report them as income.

Don't Overlook these Investments

We've discussed key considerations around residential property, the care of children, and maintaining income. Equally impactful for high-net-worth individuals can be the distribution of investments and related assets. It bears repeating that it is important to have an advisor who can help you evaluate these assets through the lenses of current and future value, as well as pre- and post-tax value.

Investment Accounts

Holdings in a brokerage account are generally taxable if sold for a gain. Such holdings can be considered marital property, but positions inherited or received as a gift or purchased prior to marriage without commingling are more likely to be considered separate.

Retirement Accounts

Contributions made to a 401(k) or an Individual Retirement Account (IRA) during a marriage, and any increase in value, are generally considered marital property to be divided. Any value accrued before or after the marriage is generally considered separate property.

IRA

Whether it's a traditional or Roth IRA, talk to your advisor about treating the division of assets as a transfer incident or rollover from the IRA. This can allow your share of the funds to be rolled over to a new account with you as the primary owner and without having to withdraw cash or incur tax consequences.

401(k)

The treatment of a traditional or Roth 401(k), a 403(b), or related plan is similar to an IRA, but the division is often times managed under a qualified domestic relations order (QDRO). A QDRO must contain specific information including the applicable plan account, identities of the parties, and the amount and timing of the transfers. The party receiving 401(k) proceeds generally must have a retirement account established in his or her name to avoid taxes on distribution.

Settlement options for IRA and 401(k)

Consider and discuss with your advisor the tax implications and net value of a traditional (tax-deferred contributions) versus a Roth (tax-exempt withdrawals) retirement account before deciding whether to accept the assets in a settlement. $100,000 in a traditional account and $100,000 in a Roth account are not equal.

Roth accounts are funded with after-tax dollars, and if you've had the account open for at least five years, upon reaching age 59½, the money is generally income tax-free when withdrawn and potentially a more valuable asset. Funds deposited in traditional 401(k) or IRA accounts, on the other hand, are not taxed up front; when withdrawn, the money will be taxed as ordinary income.

Pensions

Determining the value of a defined benefit pension plan that accrued during the marriage can be tricky and may require the services of an accountant or pension actuary. Also, a QDRO generally must be filed to claim a portion of the spouse's plan benefits.

You should consider all the features of a particular defined benefit pension plan. The potential types of payouts may include a lump sum or annuity, with a single-life payout (payments stop at the pension holder's death) or joint-life payout (the former spouse continues to receive payments till death).

Rather than seeking part of the benefits, you may consider having the pension holder take out a life insurance policy of equal value, with you as the beneficiary. This may give you an equivalent economic interest without the paperwork complexity.

Other Investments and Interests

Alternative and other illiquid investments

Hedge funds, commodities, private equity and debt, real estate, and collectibles such as wine, furniture or art are examples of alternative/illiquid assets that may be found in complex wealth structures. Cash is king in any divorce settlement because it is a highly liquid asset. Unless one spouse expresses a desire for a specific alternative or illiquid asset, a court may provide each spouse with comparable portions of liquid and illiquid investments.

A wrinkle can arise among high-net-worth families with intermingled or generational financial interests. Business trusts and other interests potentially could give siblings or others a financial stake in the settlement or even a legal claim to a portion of the marital assets. Multiple parties and extended ownership can increase the complexity of reaching a settlement.

Trusts

A family's intermingled financial interests may be shielded from divorce through a trust. Depending on the terms of a trust, principal assets held in such trust can remain separate property so long as they are not commingled during marriage.

Your legal and financial advisors would likely want to trace the source of assets into the trust to accurately determine which assets could be considered marital property.

If a spouse is found to have a claim against a specific trust asset that is not easily divided, some outcomes include:

- A different asset of comparable value could be offered instead; or
- A new trust could be set up in the spouse's name to accept distributions from the existing trust.

Closely Held Business Interests

Consider whether you wish to co-own a family business or share a stake in a business with your former spouse. You may consider buying out your spouse's share or liquidating the business and splitting the proceeds. Another option involves trading other assets—such as vacation home, rare coins or memorabilia, cars, or retirement accounts—in return for the business. Establishing an accurate valuation of the business interest is highly recommended before any decision is made.

Intellectual Property

Intellectual property generally involves patents, copyrights, trademarks, and trade secrets. In most cases, a divorce decree will assign intellectual property rights to the spouse who originated the material, even if the material involved was created during a marriage. However, the other spouse may be entitled to a share of the future royalties from the intellectual property. A valuation of future royalties should factor in the possibility of new intellectual property or content derived from the original.

Other Property to Consider

Personal Property

Personal property generally refers to items people own. These can be important and valuable assets in a divorce. A common initial step is to first segregate what was brought into the marriage versus what was bought during the marriage. Then you will need to assign a value to each item. Professional appraisers can help when there is a large quantity of items, or the items are unique. What follows are some common considerations around personal property.

- **Vehicles –** What is the value of each vehicle? Are there any outstanding loans or leases on the vehicles? Whose name is on the loan, lease, or title?
- **Clothing –** Each side may decide to retain their wardrobe but the value of each is included in the final settlement.
- **Jewelry –** Gifted jewelry, typically in the case of engagement and wedding rings, is not considered marital property and remains with the recipient after divorce. Other jewelry gifted during the marriage, if bought with household income, may be considered marital assets to be split. Family heirlooms may be considered separate property but any appreciation in value that occurred during the marriage could be considered marital property.
- **Collections –** The services of a professional appraiser may be required for significant collections of art, antiques, furnishings, memorabilia, wine, and liquor, among others. However, some items may be part of a set and dividing them could diminish their value.
- **Digital assets –** Do you own Internet domain names, social media accounts, websites, or cloud storage accounts? Placing a value on such assets can prove difficult. While photos, videos, books, and music may be able to be copied for each spouse, doing the same for other digital assets is not as simple, and ownership likely will have to be transferred to one spouse.

Adjust Insurance for New Life

Insurance can serve as a valuable financial backstop across many situations. Divorce generally does not force any changes to existing life insurance policies, though the settlement may prompt beneficiary changes. Key considerations include whether a policy is joint property, the type of policy and any special conditions, the policy's maturity, and the surrender value (the actual amount of money paid out if a permanent life policy is ended before maturity).

Permanent life insurance

The cash value of the policy can be considered a marital asset to be included in the divorce settlement. One spouse may be able to transfer ownership of the policy to the other, with the latter retaining the death benefit by giving up another asset of equal value. Or both sides could agree to surrender the policy and divide the cash value.

If you retain the policy, you may choose to change the beneficiary from your spouse to someone else. Some states automatically remove a former spouse, but you wouldn't want to rely on that.

The divorce settlement may require a permanent life policy to protect future alimony or child support payments in the event of the payer's death. If the death benefit is greater than the amount needed for future payments, another person may be designated to receive the extra portion.

Term life insurance

These policies accrue no cash value and may not be considered a marital asset. However, a settlement may require a term policy for a specific number of years to cover potential loss of benefits in the event of death.

Property, casualty, vehicle insurance

If an insured property is jointly owned, then both persons are typically named insureds and will want to stay as such until the insured asset is retitled. Also, take the opportunity to update any changes in covered possessions.

With vehicle insurance, an often-overlooked issue is whether a teen driver should be named in the policy. Check with your insurer because the teen may need to be listed on both parents' policies if that child will be regularly driving vehicles owned by both parents.

There is typically a discount for policies issued to married couples that may be discontinued after divorce. For budgeting purposes, take note that the division of households may result in higher premium payments.

Health Insurance for You

Divorce is a qualifying event, which typically allows you to purchase health insurance outside the annual open enrollment up to 60 days after the divorce is finalized. Until then, a court may require that one spouse continue to provide health coverage.

If you have to obtain your own coverage post-divorce, you may consider your employer's health plan, COBRA, a private marketplace, or, if you meet the age requirement, Medicare. The settlement may require your former spouse to help with the premiums. If not, you will need to budget accordingly.

Beneficiary Designations, Asset Titling & Estate Planning

Do you want your former spouse to remain as your designated beneficiary on your retirement accounts, investment accounts, bank accounts, insurance policies, or a pension?

A divorce decree generally does not automatically update beneficiaries. Although a former spouse can remain a beneficiary, you may want to choose someone else and can do so by contacting each plan's administrator.

Don't neglect to also update your will and estate planning documents, and to retitle all assets now solely in your name. Not doing so can lead to undesirable outcomes later.

Partner With AMG and Start Building Your Future

Setting yourself up for financial security after a divorce requires making informed and potentially life-altering decisions that many may feel unprepared to handle on their own.

When facing a divorce, consider speaking with an attorney to understand the legal implications and potential paths for navigating your unique set of circumstances.

The process can seem never-ending, but having a trusted financial advisor by your side can help. Our role as part of your team is to help make it more manageable by identifying key decisions and potential risks, while also modeling various scenarios to help explain the financial trade-offs of each decision.

If you are almost through the divorce process, ensure your financial advisor can facilitate your next steps—a partner that understands your goals and evolves as you do. AMG's comprehensive solutions seamlessly connect every aspect of our firm—wealth management, taxes, philanthropy, retirement planning, and more—to deliver toward your success.

If you would like to schedule a **free consultation** with AMG about financial security after divorce, call 800.999.2190 or email with the best day and time to reach you.

DISCLOSURES

As of January 2024. AMG's opinions are subject to change without notice, and this report may not be updated to reflect changes in opinion. Forecasts, estimates, and certain other information contained herein are based on proprietary research and should not be considered investment advice or a recommendation to buy, sell or hold any particular security, strategy, or investment product. Data contained herein was obtained from third-party sources believed to be reliable, but AMG does not guarantee the reliability of any information contained in this report.

AMG National Trust

A Better Way To Wealth

AMG helps executives, high net worth individuals, business owners, and institutions discover a better way to wealth. We work closely with you to develop integrated financial solutions customized to your unique goals and backed by our insightful research, thoughtful innovation, and decades of experience. Capitalize on your opportunities with a knowledgeable partner focused on your vision and your success.

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