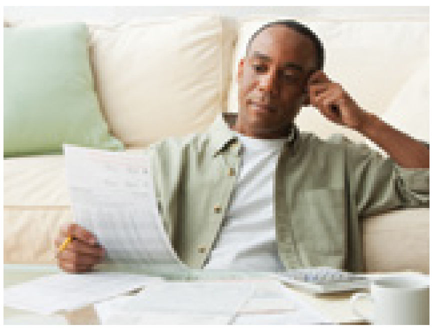
UBS

Going your own way

Successfully navigating your financial life through divorce



The expense of divorce may have taken a chunk of your retirement nest egg, so try to boost your savings to the greatest extent possible.

Divorce or separation is not only challenging emotionally for you and your family, but it also impacts many key areas of your financial life, including maintaining your lifestyle and your ability to reach your long-term financial goals. Below are some important topics and ideas to consider that may give you a better perspective and bring clarity to a difficult situation moving forward.

Create or revisit your financial plan

Starting over on your own provides an ideal opportunity to reevaluate your cash flow, retirement goals, education funding and insurance needs. You can also review your current investment portfolio, asset allocation, asset protection strategies and estate plan. This process can help us create a strategy to help you meet your most important financial goals.

Address new circumstances

Perhaps one spouse stayed home with the children and is returning to work as a result of divorce. Often, the income that supported one household must now support two. Consider completing a budget worksheet that outlines your major fixed expenses—housing, insurance, food, utilities, transportation and clothing—to determine a prudent spending plan.

If you and your spouse own one or more homes together, the future of those assets may be uncertain at this point. You may both determine the houses should be sold, or perhaps they will become part of your divorce settlement. Either way, don't let mortgage and tax payments lapse; be sure to fit real estate expenses into your overall budget.

For auto and life insurance coverage, consider reducing premiums by raising deductibles or dropping coverage you don't need. You can reevaluate any of these strategies when your post-divorce financial picture becomes clearer.

Due to the fact that creditors can pursue you for debts incurred on joint accounts during your marriage, even if you did not personally incur those debts, you could be held accountable if your former spouse made a purchase and stopped making payments. To alert you to outstanding liabilities you might not know about—and to make sure there are no erroneous data—obtain credit reports and scores from the three main credit bureaus once a year. Credit bureaus can charge fees to provide your scores, but federal law allows you to receive one free credit report every 12 months.

Change beneficiaries

If your spouse is still listed as your estate's primary beneficiary (or executor), make it your top priority to update your will. We should also review your life insurance policies, annuities and retirement accounts. The beneficiary listed on those documents will supersede the beneficiary named in your will in the event of your death, so change those beneficiary designations as soon as possible. It's the same with representatives named in healthcare and financial powers of attorney. If your children are minors, you'll also want to name a guardian of the estate. Your legal advisor can direct you, depending upon your particular situation.

Take a close eye to retirement savings

The expense of divorce may have taken a chunk of your retirement nest egg, so try to boost your savings to the greatest extent possible. If you're working, it's essential to put as much into your 401(k) as you can. If your cash flow is a little tight right now, still try to contribute at least enough to receive full employer-matching contributions. It is important to note that if you were married for at least 10 years and do not remarry, you may be entitled to Social Security benefits based on your former spouse's earnings.

Don't forget to consider the big picture

Meet with a financial advisor and discuss how you can adjust your current finances to make sure you stay on track with your long-term financial goals.

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