Suddenly Single? How to Protect your Finances.
Important Notice

- This program is for information purposes only and should not be considered legal or tax advice. If specific advice is needed, you should consult with your own legal or tax advisor.
Protect your personal finances

• When a marriage ends - whether by divorce or death of a spouse - there can be a tremendous financial impact.

• With less money to live on, how can you protect your financial well-being?
What we will discuss: Action Steps

- Organize finances
- Evaluate your finances
- Adjust your budget
- Evaluate your insurance needs
- Care for your credit
- Maximize Social Security benefits
Update financial accounts

• Change registration on financial accounts.
• Ownership changes typically require documentation.
• Consult tax advisor when dividing up assets and/or shifting ownership.
Organize financial documents

- Bank statements
- Credit card information
- Retirement account information
- Deed to home, car title/registration
- Insurance policies
- Brokerage account statements
- Safe deposit box/information
- Will, living wills
- Pay stub, tax returns
Retirement assets

• Pension and retirement account assets have their own set of rules.
• Upon death of the account owner, retirement account assets pass directly to the beneficiaries.
• Retirement assets are often split up as part of a divorce settlement through a qualified domestic relations order (QDRO).
Choosing a financial planner

• When choosing an advisor, ask the right questions:
  • How is he or she compensated?
  • What education, credentials and experience qualify him or her to be a financial planner? (NAPFA Members)
• Can I contact references?
• Referrals for financial planners are available through:
  • Financial Planning Association: www.fpanet.org
  • National Association of Personal Financial Advisors: www.napfa.org
Why use a financial planner?

- Guidance in setting goals
- Reduced or eliminated investment fees
- Informed financial decisions
- Peace of mind

- Keep in mind: Estate planning is a vital part of our financial plan
Create a budget

• Identify all income
  o Paychecks
  o Interest
  o Rental income
  o Any other sources of income

• Identify all payroll deductions
  o Payroll taxes
  o Insurance
  o Any monthly deductions
Expense Worksheet

- Record fixed expenses
- Record variable expenses
- Record periodic expenses
- Subtract total expenses from total income
Balance income and expenses

Positive number
• Included all expenses?
• Have emergency fund?
• Paying debts aggressively?
• Money saved for goals
• Adequate insurance?

Negative number
• Increase income
• Decrease expenses
• Combine both
Monitor your progress

Check progress monthly

Make necessary changes
Evaluate your insurance needs

• Insurance needs can change dramatically when you lose a spouse through death or divorce.
• It is important to look at all the different types of insurance.
• Life insurance
• Health insurance
• Long term care insurance
Protect your credit

- Credit is a valuable asset, understand and protect it.
- Take inventory of all accounts that are open in your name and/or jointly with your former spouse.
- Close joint credit accounts and shift to single accounts.
- If widowed, contact all three credit bureaus, to let them know spouse has passed away to avoid identity theft.
- Request a copy of your credit report.
2010 Credit Card Reform

- Significant changes to the terms of your credit card must be given 45 days prior to the change taking affect.
- Over-limit fees will be prohibited unless you consent to pay for the privilege.
- Statements must be mailed at least 21 days ahead of when they are due.
- Your credit card bill will be due on the same calendar day each month.
Credit Card Reform cont’d

- When you open a new account, your interest rate must stay at the opening rate for at least 12 months.
- If you’re under 21, it will be difficult to open a new credit card account.
How can my credit report be used?

Credit approval

Employment

Underwrite insurance

Issue professional license

Court order or IRS

Review or collection
How to obtain a credit report?

- Free reports every 12 months from AnnualCreditReport.com
- May be purchased at any time from any of the three agencies
- Personal information required for ordering report
Importance of reviewing report annually

- Discover identity fraud
- Keep accurate report on file
- Help set goals to improve or maintain information on report
Top mistakes made

- Not staying current on all cards
- Maxing out the credit limits
- Cancelling old credit cards - sometimes necessary
- Opening new lines of credit
- Types of credit being used
Reviewing credit

- Check your personal information such as name and social security number
- Verify your account status information
- Check your active account dates
- Look for out of date information
What is a credit score?

A credit score is a three digit number that creditors use to assess the likelihood that consumers will repay their debts and make payments on time.
How is a score generated?

- Types of Credit in Use: 10%
- Amount of New Credit: 10%
- Payment History: 35%
- Length of Credit History: 15%
- Owed to Creditors: 30%
Maximize Social Security benefits

• Social Security recognizes that you were once part of a married couple, and offers benefits to both surviving and ex-spouses.

• Widows and ex-spouses are generally entitled to 50% of a worker’s Social Security benefits, if those benefits would be greater than your own Social Security benefits.
Summary

• Organize finances
• Evaluate your finances
• Adjust your budget
• Evaluate your insurance needs
• Care for your credit
• Maximize Social Security benefits
Improving lives through financial education.

866.515.2227

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