

# *Divorce:*

## Your Financial Guide

© 2020 Prosperwell Financial  
4300 Baker Road, Minnetonka, MN 55343  
763-231-9510  
[www.prosperwell.com](http://www.prosperwell.com)

Securities offered through Raymond James Financial Services, Inc. Member FINRA/SIPC. Investment advisory services offered through Raymond James Financial Services Advisors, Inc. Prosperwell Financial is not a registered broker/dealer and is independent of Raymond James Financial Services.

## Table of Contents

<b><u>Section 1</u></b> Introduction	Page 1
<b><u>Section 2</u></b> The Four Things You Need to Financially Survive a Divorce	Page 2
<b><u>Section 3</u></b> Financial Checklist for Divorcees	Page 4
<b><u>Section 4</u></b> Budgeting and Cash Flow	Page 6
Budget Worksheet	Page 7
Balance Sheet	Page 12
<b><u>Section 5</u></b> Retirement Information	Page 13
<b><u>Section 6</u></b> Insurance and Protection Planning	Page 15
<b><u>Section 7</u></b> Conclusion	Page 17

## Introduction

Congratulations! You have taken the first step in getting your finances in order during your divorce. This is a difficult time and the future may seem uncertain during this time but we cannot stress enough that we are here to help you every step of the way.

This packet was designed to help prepare you financially for your divorce by getting your finances in order and to be sure that you are not missing anything important. Often in times of transition, you are faced with many emotions and these emotions can take over. It is important to separate your emotions from your finances. We are here to help you make sound decisions financially during a divorce and to take away that feeling of panic. Our goal is to help you remain calm and organized. Important things can easily be overlooked in a crisis and we are here with resources and advice so that does not happen.

At Prosperwell Financial, our mission is to coach, mentor and inspire you to achieve financial independence and happiness and we would love to help you with your investing and financial planning. During the divorce we can help you:

1. Develop your balance sheet (a list of all your assets and liabilities).
2. Establish your budget.
3. Help you decide what assets to take, if you should sell the house, etc.
4. Attend court or mediation with you.
5. Review your Divorce Decree before signing it.

In addition to helping you during this transition, we are here to help you with any of the following:

- A complimentary asset allocation review of any investments. You can send us your investment account statements and we will give you an analysis and our opinion at no cost.
- Analyzing your insurance such as Life, Disability and Long-Term Care Insurance. We can review your current policies or get you quotes for a new policy. We can also help you analyze the proper amount of insurance.
- Send us your Social Security statement for a Social Security Analysis.
- Establishing a college savings account for your child or grandchild.
- Setting up a 401(k), Simple IRA or SEP IRA for your business.
- Review your old 401(k) and possibly consolidate your accounts so it makes it easier to manage your money.

If you have any questions about the information in this packet, would like a second opinion on your investments or would like to start planning for your future, please call us at 763-231-9510 or reach out via our website at [www.prosperwell.com](http://www.prosperwell.com).

Sincerely,

Nicole N. Middendorf, CDFA  
CEO, Prosperwell Financial  
Wealth Advisor, RJFS

© 2020 Prosperwell Financial  
4300 Baker Road, Minnetonka, MN 55343  
763-231-9510  
[www.prosperwell.com](http://www.prosperwell.com)

## The Four Things You Need to Financially Survive a Divorce

There are four basic things that you will need to survive divorce: a place to live, little or no debt, retirement assets and liquid money. You should strive for a balance of each of these. You need a mix of each of these categories, not an abundance of one category and none in the others.

### 1. Place to live:

In 1997, the tax code changed relating to home ownership. A married couple is now able to exclude up to \$500,000 of gains and a single person is able to exclude up to \$250,000 of gains on the sale of their home as long you have lived in the home for two out of the last five years.

Depending on the divorce, it may be advantageous for one spouse to take the home, while in another situation it could be a disadvantage for the spouse to take the home. You should understand how your divorce settlement will affect you now, as well as five, ten, fifteen, and twenty years from now. A house is not a liquid asset and if you look historically at the stock market, a house may have less appreciation potential compared with money set aside for retirement. This is where it is very important to establish a financial plan.

### 2. Little or no debt:

You should understand what the cost of credit means. Because there is a high cost to having debt, you need to know the difference between good debt and bad debt.

You should be careful when it comes to using credit to protect your assets and your future because we live in a negative savings society. Contact credit bureaus to get a copy of your credit report. If there are credit cards that have a zero balance, call and cancel those cards.

As part of a divorce, remember that the creditor wants the debt paid regardless of the situation. So, if your spouse takes a credit card with your name on it and does not pay that debt, the creditor will come after you.

### 3. Retirement Assets:

When you are looking at retirement assets there are many different vehicles in which you can save money for retirement. Make sure that you do not forget some accounts and leave money on the table.

If you receive retirement assets from your spouse's 401(k) plan you may need a QDRO (Qualified Domestic Relations Order) to separate those assets. The QDRO is a legal document that is separate from your divorce decree. This legal document is sent to the benefits department of the 401(k) plan provider to instruct them how the assets should be divided. Make sure the QDRO is written correctly BEFORE the divorce is final to ensure that you receive your retirement assets.

Some benefit plans cannot be divided. In this case, you want to look at other assets of the marriage and receive those instead. For example, if a pension cannot be divided, take more of the 401(k) assets of the other spouse.

If you receive retirement assets from your spouse's IRA, you will need a copy of your divorce decree and a few other financial forms to separate those assets. With the 401(k) and IRA, you should change the account into you name and roll the assets into another IRA Account. This process is known as a "direct rollover". This is another area where it is important to have a financial plan in place so you can realize the foundation you are setting for you financial future.

### 4. Liquid Money:

There are three different general phases of the divorce process: the beginning of the divorce, the middle of the divorce, and after the divorce. In each of these stages, your budget may be different, so you should make sure that you have liquid money available at all times.

© 2020 Prosperwell Financial  
4300 Baker Road, Minnetonka, MN 55343  
763-231-9510  
[www.prosperwell.com](http://www.prosperwell.com)

In the beginning, you will need liquid money for the retainer to hire an attorney. You should consider putting this liquid money in a money market account rather than a savings or checking account. This is a vehicle where you are able to earn more interest on your money. Make sure you understand what a money market account is and what it can do for you.

Make sure you understand the difference between assets, regardless of whether you are single, married, or divorced. Gather as much information as you can about your financial situation. Know where your money is. Find out as much information as you can on your own. It is always a good idea to have copies of statements and to start listing all of your assets and liabilities.

Separate your emotions from your finances and remember to look at each asset as an asset. Don't forget about the growth potential on assets. Remember how the different types of assets work. If the only thing that you take away from this article is the knowledge to educate yourself, get organized, and ask for help you will be on your way to achieving financial independence.

© 2020 Prosperwell Financial  
4300 Baker Road, Minnetonka, MN 55343  
763-231-9510  
[www.prosperwell.com](http://www.prosperwell.com)

Securities offered through Raymond James Financial Services, Inc. Member FINRA/SIPC. Investment advisory services offered through Raymond James Financial Services Advisors, Inc. Prosperwell Financial is not a registered broker/dealer and is independent of Raymond James Financial Services.

## Financial checklist for before, during and after divorce

Complete the checklist items that apply to you and your situation. Take time to consult with the appropriate professionals for assistance and guidance. This checklist does not represent the order in which to address these issues; it is only a preliminary guide and is not intended to be a comprehensive list of things to consider.

### **Before Your Divorce**

#### **Getting Organized**

- Document your team of consultants. Include their names and phone numbers.  
Family Law Attorney \_\_\_\_\_  
Accountant \_\_\_\_\_  
Certified Divorce Financial Analyst \_\_\_\_\_  
Business Attorney \_\_\_\_\_  
Banker \_\_\_\_\_  
Wealth Advisor \_\_\_\_\_  
Insurance Agent \_\_\_\_\_  
Other \_\_\_\_\_

#### **Financial**

- Gather copies of your investment statements.
- Gather copies of your last 3 years of tax returns.
- Fill out a Budget Worksheet.
- Open a checking and saving account in your own name.
- Review your beneficiaries on all accounts.

### **During Your Divorce**

#### **Legal**

- Consider establishing a trust for the benefit of your children.

#### **Financial**

- Determine divorce settlement.
- Review ownership and custodial responsibility of children's accounts.
- Fill out new account paperwork.
- If you need a QDRO (Qualified Domestic Relations Order) have an attorney start the document.
- Prepare accounts to transfer to just your name.

#### **Life Insurance**

- Purchase or change life insurance that would be required by your divorce decree to cover child support or spousal maintenance.
- Review policies on your life to ensure that they are meeting your current needs.

#### **Health insurance**

- Apply for coverage through your employer, or
- Apply for individual health coverage, or
- Continue COBRA benefits through your ex-spouse's employer (for up to 3 years.)

© 2020 Prosperwell Financial  
4300 Baker Road, Minnetonka, MN 55343  
763-231-9510  
[www.prosperwell.com](http://www.prosperwell.com)

Securities offered through Raymond James Financial Services, Inc. Member FINRA/SIPC. Investment advisory services offered through Raymond James Financial Services Advisors, Inc. Prosperwell Financial is not a registered broker/dealer and is independent of Raymond James Financial Services.

**Long term care or disability insurance**

- Review your policies to ensure that they are meeting your current needs.
- Consider long term care or disability coverage, if you don't have coverage currently.

**Social Security/Veteran benefits**

- Contact the Social Security Administration for eligibility information.
- Confirm your benefit amount if you are currently collecting Social Security.
- Contact the VA about veteran's benefits (www.vba.va.gov).

**Taxes**

- Meet with your tax professional to determine your new tax status and strategies.

**After Your Divorce**

**Legal**

- Make sure you have several copies of your Divorce Decree.
- Retitle assets, including real estate and automobiles.
- Make name-change notifications.
- Establish a new power of attorney for yourself.
- Name a new health care agent within your health care directive.
- Create a new will and establish appropriate trusts.

**Financial**

- Close and distribute all joint assets according to legal decree.
- Complete transfer of assets.
- Look over your asset allocation and adjust as needed.
- Refinance your mortgage.
- Do a Quit Claim Deed once appropriate.
- Set up accounts monthly to invest.

**Life insurance**

- Make beneficiary changes.

**Other considerations**

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

## Budgeting and Cash Flow

Budgeting. That dreaded word. Most of the American population does not have a budget. Budgeting is not fun but something that I believe is extremely important. When you have a budget, you spend money on the things you truly need and want. You spend money consciously and truly where you want your money to go.

Do you often wonder where all your money goes? Having a budget and tracking where your money goes can be very beneficial to achieving your financial goals. We often do not realize how all of the little things add up. A coffee here and a dinner there all add up and take away from money you could be saving. Have you ever had a \$20, \$50, or \$100 bill in your pocket and a couple days (or hours) later it is gone and you don't have anything to show for it? Tracking what you spend for a month or couple of weeks could be an eye-opening experience. You might see some things that you don't necessarily need and could eliminate from your monthly expenses. All those little amounts combined could be saved and put toward achieving your financial goals for the future. So, this month try to track your spending and see if you need everything you buy.

There is truly a difference between a want and a need. You want to really stop and ponder before you buy something and determine if it is a want or a need. We have a budget worksheet that we have developed over the years to help you with your budget. The easiest way is to take this budget worksheet and to start from today forward and truly write down everything you spend.

The pages that follow is our budget worksheet. The best way to do this is to set a timer for 15 minutes and work on it for 15 minutes at a time. Having a budget is imperative in a divorce if you are looking at paying or receiving spousal maintenance. But you also need to know what your own cash flow needs are. Sometimes having two budgets helps. One for how your current expenses are and one to show what your expenses may be if you are selling your house, moving or changing your living situation after the divorce.

© 2020 Prosperwell Financial  
4300 Baker Road, Minnetonka, MN 55343  
763-231-9510  
[www.prosperwell.com](http://www.prosperwell.com)

Securities offered through Raymond James Financial Services, Inc. Member FINRA/SIPC. Investment advisory services offered through Raymond James Financial Services Advisors, Inc. Prosperwell Financial is not a registered broker/dealer and is independent of Raymond James Financial Services.

## Budget Worksheet

### Expenses:

#### Living Expenses:

Mortgage/Rent:	_____
Heloc:	_____
2 <sup>nd</sup> Property:	_____
Investment Prop:	_____
Home Insurance:	_____
Property Taxes:	_____
Assessment:	_____
Condo Fees:	_____
Dining Out:	_____
Lunch at Work:	_____
Groceries:	_____
Bedding/Linens:	_____
Pet Expenses:	_____
Postage:	_____
_____	_____
_____	_____

#### Home Maintenance Expenses:

Furniture:	_____
Interior Repairs:	_____
Home Supplies:	_____
House Cleaning:	_____
Decorating:	_____
Lawn Mowing:	_____
Landscaper:	_____
Snow Blowing:	_____
Furnace Filters:	_____
Garbage:	_____
Security System:	_____
Water Softener Salt:	_____
Tree Trimming:	_____
Spring/Fall Cleanup:	_____
House Painting:	_____
Gardening:	_____
Plumber:	_____
Room Maintenance:	_____
Irrigation:	_____
Pest Maintenance:	_____
Water System:	_____
_____	_____
_____	_____

© 2020 Prosperwell Financial  
4300 Baker Road, Minnetonka, MN 55343  
763-231-9510  
[www.prosperwell.com](http://www.prosperwell.com)

**Personal Expenses:**

Clothing: \_\_\_\_\_  
Hosiery: \_\_\_\_\_  
Shoes: \_\_\_\_\_  
Haircuts: \_\_\_\_\_  
Beauty Salon: \_\_\_\_\_  
Jewelry: \_\_\_\_\_  
Beauty Supplies: \_\_\_\_\_  
Massage: \_\_\_\_\_  
Manicure/Pedicure: \_\_\_\_\_  
Alterations/Repairs: \_\_\_\_\_  
Dry Cleaning: \_\_\_\_\_  
Spousal Maintenance: \_\_\_\_\_  
Personal Trainer: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Utilities:**

Electricity: \_\_\_\_\_  
Gas: \_\_\_\_\_  
Water: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Cable TV: \_\_\_\_\_  
Cell Phone: \_\_\_\_\_  
Long Distance: \_\_\_\_\_  
Pager: \_\_\_\_\_  
Voicemail: \_\_\_\_\_  
DSL/Internet: \_\_\_\_\_  
Sewer/Septic: \_\_\_\_\_  
Firewood: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Transportation:**

Car Loan/Lease: \_\_\_\_\_  
Gas: \_\_\_\_\_  
Car Insurance: \_\_\_\_\_  
Vehicle Tabs: \_\_\_\_\_  
Car Washes: \_\_\_\_\_  
Oil Changes: \_\_\_\_\_  
Parking: \_\_\_\_\_  
Maintenance: \_\_\_\_\_  
Repairs: \_\_\_\_\_  
Bus Pass: \_\_\_\_\_  
Bikes: \_\_\_\_\_  
Car Savings: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



© 2020 Prosperwell Financial  
4300 Baker Road, Minnetonka, MN 55343  
763-231-9510  
[www.prosperwell.com](http://www.prosperwell.com)

**Medical:**

Doctor Visits: \_\_\_\_\_  
Health Insurance: \_\_\_\_\_  
Eyeglasses/contacts: \_\_\_\_\_  
Dental: \_\_\_\_\_  
Medications: \_\_\_\_\_  
Medicare Supplements: \_\_\_\_\_  
LTC Insurance: \_\_\_\_\_  
Life Insurance: \_\_\_\_\_  
Disability Insurance: \_\_\_\_\_  
Vitamins: \_\_\_\_\_  
Non-Reimbursable: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Recreation:**

Hobbies: \_\_\_\_\_  
Relaxation: \_\_\_\_\_  
Sport Activities: \_\_\_\_\_  
Vacation: \_\_\_\_\_  
Theatre: \_\_\_\_\_  
Sports Events: \_\_\_\_\_  
Movies: \_\_\_\_\_  
Entertainment: \_\_\_\_\_  
Home Entertaining: \_\_\_\_\_  
Boat Expenses: \_\_\_\_\_  
Boat Insurance: \_\_\_\_\_  
Watercraft Expenses: \_\_\_\_\_  
Watercraft Insurance: \_\_\_\_\_  
Pool Expenses: \_\_\_\_\_

**Memberships:**

AAA: \_\_\_\_\_  
Golf Club: \_\_\_\_\_  
Country Club: \_\_\_\_\_  
Sam's Club: \_\_\_\_\_  
Costco: \_\_\_\_\_  
Golf League: \_\_\_\_\_  
Bowling League: \_\_\_\_\_  
Other Leagues: \_\_\_\_\_  
Health/Fitness Club: \_\_\_\_\_  
Fish/Hunt Licenses: \_\_\_\_\_  
Union Dues: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



© 2020 Prosperwell Financial  
4300 Baker Road, Minnetonka, MN 55343  
763-231-9510  
[www.prosperwell.com](http://www.prosperwell.com)

**Debit/Credit Cards:**

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

**Savings:**

401k/457/403b:	_____
Roth/Traditional IRA:	_____
Deferred Comp:	_____
Liquid Money:	_____
VUL Insurance:	_____
Annuity:	_____
Spending Money:	_____
529/Ed IRA/UTMA:	_____
_____	_____
_____	_____

**Miscellaneous:**

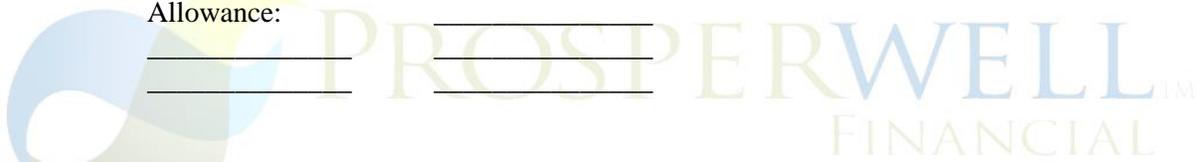
School Expenses:	_____
Paper/copies:	_____
Laundry:	_____
Cards/Gifts:	_____
Donations:	_____
Travel:	_____
Cigarettes:	_____
Alcohol:	_____
Magazines:	_____
Books:	_____
Accountant Fees:	_____
Financial Fees:	_____
Attorney Fees:	_____
Income Taxes:	_____
Safe Deposit Box:	_____
Newspapers:	_____
Agent Fees:	_____
Promotion Fees:	_____
_____	_____
_____	_____



© 2020 Prosperwell Financial  
4300 Baker Road, Minnetonka, MN 55343  
763-231-9510  
[www.prosperwell.com](http://www.prosperwell.com)

**Kids Expenses:**

Clothing: \_\_\_\_\_  
Shoes: \_\_\_\_\_  
Food: \_\_\_\_\_  
Transportation: \_\_\_\_\_  
School Expenses: \_\_\_\_\_  
Cell Phone: \_\_\_\_\_  
Lunch Money: \_\_\_\_\_  
Personal Supplies: \_\_\_\_\_  
Haircuts: \_\_\_\_\_  
Babysitter: \_\_\_\_\_  
Nanny: \_\_\_\_\_  
Child Support: \_\_\_\_\_  
Day Care: \_\_\_\_\_  
Diapers: \_\_\_\_\_  
Diaper Service: \_\_\_\_\_  
Medical: \_\_\_\_\_  
Summer Camp: \_\_\_\_\_  
Activities: \_\_\_\_\_  
Lessons: \_\_\_\_\_  
Parenting Consultant: \_\_\_\_\_  
Supervision: \_\_\_\_\_  
Allowance: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



**TOTALS:**

Total Income: \_\_\_\_\_  
Total Expenses: \_\_\_\_\_  
Income minus Expenses: \_\_\_\_\_

## Balance Sheet

<u>Assets</u>	<u>Total</u>	<u>Spouse #1</u>	<u>Spouse #2</u>
Real Estate	_____	_____	_____
Business	_____	_____	_____
Auto	_____	_____	_____
 <u>Retirement Accounts</u>			
IRA	_____	_____	_____
401(k)	_____	_____	_____
 <u>Non-Retirement Accounts</u>			
Investment Account	_____	_____	_____
Investment Account	_____	_____	_____
Savings Account	_____	_____	_____
Savings Account	_____	_____	_____
Checking Account	_____	_____	_____
Checking Account	_____	_____	_____
Other assets: _____	_____	_____	_____
Other assets: _____	_____	_____	_____
Other assets: _____	_____	_____	_____
 <b>Total Assets</b>	_____	_____	_____
 <u>Liabilities</u>			
Real Estate Mortgage	_____	_____	_____
Business Loan	_____	_____	_____
Auto Loan	_____	_____	_____
Credit Card: _____	_____	_____	_____
Credit Card: _____	_____	_____	_____
Student Loan: _____	_____	_____	_____
Student Loan: _____	_____	_____	_____
Other liabilities: _____	_____	_____	_____
Other liabilities: _____	_____	_____	_____
Other liabilities: _____	_____	_____	_____
 <b>Total Liabilities</b>	_____	_____	_____
 <b>Networth (Assets minus Liabilities)</b>	_____	_____	_____

## Retirement Information

1. Divorce is not a taxable event, but what you do with the assets could have tax consequences. You have a few different options for your 401(k) plan. A 401(k) is a retirement savings plan sponsored by your employer. It lets you save and invest a piece of your paycheck before taxes are taken out. Taxes are not paid until the money is withdrawn from the account. The names can be different such as a 401(b), 457 and 401(k). The difference between these accounts is based on where you work. If you work as a school teacher, nurse or at a non-profit organization you probably have a 403(b) plan. If you work for the federal government you may have a 457. If you work for a public or privately held company, you may have a 401(k) plan.
  - a. Pension – This is where you receive a set sum of money every month once you retire, until you pass away. It is important to look at your pension plans and be aware of them. You can see if you have a missing pension plan at [www.pbgc.gov](http://www.pbgc.gov). The range of specific benefits owed to each individual is vast. Some are owed as little as \$1, others as much as \$172,000 pension officials said. The average benefit owed is about \$3,000. If you leave a company and have a pension or a 401(k) this is a reason to take these accounts and roll them to an IRA in your own name so you have control.
  - b. ESOP - An ESOP is an employee stock ownership plan where you can purchase the stock of the company you work for usually at a 10, 12 or 15 percent discount. These plans allow you to buy stock of the company you work for at a less expensive price per share than the general public.
  - c. Stock Options - Stock options are simply the right to buy a stock at a certain price at a point in time. So, let's say you work for a company and they give you 100 stock options of ABC Company at \$10. That gives you the ability to buy 100 shares of ABC Company at \$10 a share. Then let's say right now ABC Company is trading at \$30 a share. That means you can buy 100 shares of ABC Company at \$10 and immediately turn around and sell them for the current stock price (in our example, \$30). That means you made \$20 on each share of stock. But remember, stock options may expire at a certain date so don't forget to use them before they expire. Where stock options do get more complicated is with their tax treatment. Some stock options are taxed as ordinary income and some are taxed as capital gains, depending on whether they are statutory or not. See the next question for more information.
2. If you receive retirement assets from a retirement plan through your spouse's employer (such as a 401(k), 403b or 457), you will need a QDRO to separate those assets.
  - a. The QDRO (Qualified Domestic Relations Order) is a legal document that an attorney draws up that is separate from your divorce decree. A QDRO is generally needed for retirement plans that are part of an employer's retirement plan; it takes the retirement accounts and transfers them pursuant to your divorce decree. This document is sent to the benefits department of the 401(k) plan provider to instruct them how the assets should be divided. Make sure the QDRO is written correctly BEFORE the divorce is final to ensure that you receive your retirement assets from your spouse's plan. A QDRO is *not* needed to divide IRAs. If you have an old 401(k) plan you may want to roll it over to a Traditional IRA\*. This can potentially save you money, because it costs to have an attorney draw up the QDRO. A Traditional IRA can be divided with a copy of your decree, account statement and transfer form.

© 2020 Prosperwell Financial  
4300 Baker Road, Minnetonka, MN 55343  
763-231-9510  
[www.prosperwell.com](http://www.prosperwell.com)

- i. \*A plan participant leaving an employer typically has four options (and may engage in a combination of these options):
  1. Keep it where it is. If your account balance is above \$5,000, you may decide to keep the 401(k) plan with your former employer. You won't be able to keep contributing to the plan, but the invested money could grow over time.
  2. Cash Out. Take the money as cash. The downside of this option is that you'll pay state and federal income taxes, including a 10 percent penalty tax if you're under age 59 ½, and you will put your future retirement needs at risk.
  3. Roll it over to an IRA. There are no penalties for a direct rollover to an Individual Retirement Account. This is a great option if you would like to consolidate your accounts as well as have more options for investing.
  4. Roll it to your new employer's plan. Once you find a new job, you may be able to roll the funds from your old plan into your new company's plan.
3. IRA – Individual Retirement Account that is set up where you can purchase investments and hold them within the account. Eventually the money in that account can be withdrawn to provide income in retirement. Currently, you are able to contribute \$6,000 a year into your IRA and if you are over 50 years of age, you can contribute \$7,000 each year.
  - a. Roth IRA – Contributions are made post-tax dollars, meaning you can't deduct them from your taxable income. The payoff of contributing to a Roth is that in retirement your withdrawals are not taxed at all. However, there are income limits to this type of IRA.
  - b. Traditional IRA – The money you contribute may be deductible from your taxes for the year.

Contributions to a Traditional IRA may be tax-deductible depending on the taxpayer's income, tax-filing status, and other factors. Withdrawal of pre-tax contributions and/or earnings will be subject to ordinary income tax and, if taken prior to age 59 ½, may be subject to a 10% federal tax penalty.

Unless certain criteria are met, Roth IRA owners must be 59 ½ or older and have held the IRA for five years before tax-free withdrawals are permitted.

© 2020 Prosperwell Financial  
4300 Baker Road, Minnetonka, MN 55343  
763-231-9510  
[www.prosperwell.com](http://www.prosperwell.com)

Securities offered through Raymond James Financial Services, Inc. Member FINRA/SIPC. Investment advisory services offered through Raymond James Financial Services Advisors, Inc. Prosperwell Financial is not a registered broker/dealer and is independent of Raymond James Financial Services.

## Insurance and Protection Planning

When going through a divorce, many times Life Insurance is needed to secure spousal maintenance or child support as well as health insurance. It is extremely important to figure out who will pay for what and to make sure all parties are covered.

1. Make sure you have adequate protection:
  - a. Health Insurance
  - b. Insurance for car, home, valuables
  - c. Umbrella insurance policy
  - d. Disability Insurance
  
2. Based on your situation, determine the type of insurance that is needed and if you are able to keep from your employer.
  - a. Life Insurance – This policy is a contract with an insurance company. In exchange for premium payments, the insurance company provides a lump-sum payment, known as a death benefit, to beneficiaries upon your death. There are two types of Life Insurance you can get. Term Life Insurance, which covers you for a fixed period of time, for example, 10, 20 or 30 years. Whole Life Insurance covers you until you die. It also provides a cash-value account that you can tap for funds later in life.
  - b. Long Term Care Insurance – This is designed to cover long-term services and support, including personal and custodial care in a variety of settings such as your home or facility to assist with activities such as bathing, dressing or eating.
  - c. Disability Insurance – This type of insurance pays some or all of your salary if you become disabled and unable to work.
  - d. Umbrella Insurance – This is extra liability insurance. This type of policy is designed to help protect you from major claims and lawsuits and as a result it helps protect your assets and your future.
  
3. Generally, the last page of your Divorce Decree states your will is invalid. So, when the divorce is done, you will want to update your Estate Plan. Protecting your assets is doing estate planning such as setting up a health care directive, durable power of attorney and a will or a trust. Protecting your assets doesn't just help you but also those who are your beneficiaries. If you need a referral to an Estate Planning Attorney, please contact us at 763-231-9510.
  - a. Will – A written document that indicates how your property will be distributed at the time of your death. It is revocable and subject to amendment at any time during your lifetime. It also allows you to appoint a guardian for your minor children.
  - b. Living Trust – This provides lifetime and after-death property management. If you are serving as your own trustee, the trust instrument will provide a successor upon your death or incapacity. Court intervention is not required. These are used to manage property.
  - c. Health Care Directive – Specifies what actions should be taken for your health if you are no longer able to make decisions for yourself.

© 2020 Prosperwell Financial  
4300 Baker Road, Minnetonka, MN 55343  
763-231-9510  
[www.prosperwell.com](http://www.prosperwell.com)

- d. Durable Power of Attorney - You can designate a durable power of attorney for your financial affairs. As with a health care proxy, a durable power of attorney can specify how you want your financial affairs dealt with in case you become disabled or suffer a serious illness and designates someone who can make any financial decisions on your behalf. A big advantage of this “financial proxy” is that it can help prevent your loved ones from having to go to court to request guardianship over your financial affairs if you become incapacitated. This arrangement can also give the person the ability to pay your debts, manage investment transactions and even make charitable gifts that could help reduce your estate taxes.



Raymond James and its advisors do not offer tax or legal advice. You should discuss any tax or legal matters with the appropriate professional.

© 2020 Prosperwell Financial  
4300 Baker Road, Minnetonka, MN 55343  
763-231-9510  
[www.prosperwell.com](http://www.prosperwell.com)

Securities offered through Raymond James Financial Services, Inc. Member FINRA/SIPC. Investment advisory services offered through Raymond James Financial Services Advisors, Inc. Prosperwell Financial is not a registered broker/dealer and is independent of Raymond James Financial Services.

## Conclusion

*“Never underestimate the power you have to take your life in a new direction” – Germany Kent*

Congratulations! At this difficult time, you have taken a big step for your financial future. We highly encourage you to keep on this path and re-evaluate your budget and cash flow as your situation changes.

At Prosperwell Financial, we believe that life is not just about money, but instead it is about doing things that truly make you happy and living your life to the fullest. Our mission is to coach, mentor and inspire you to achieve financial independence and happiness. We would love the opportunity to work with you to help you achieve your goals, work towards what makes you happy and help you live your very best life.

If you are interested in meeting with one of our Wealth Advisors to help you get started on investing or to get a second opinion on your investments, we would be happy to offer you a complimentary consultation. You can call our office at 763-231-9510 to schedule.



© 2020 Prosperwell Financial  
4300 Baker Road, Minnetonka, MN 55343  
763-231-9510

[www.prosperwell.com](http://www.prosperwell.com)

Securities offered through Raymond James Financial Services, Inc. Member FINRA/SIPC. Investment advisory services offered through Raymond James Financial Services Advisors, Inc. Prosperwell Financial is not a registered broker/dealer and is independent of Raymond James Financial Services.