

Estate Planning

A Critical Consideration for Divorcees



Divorce is often emotionally and mentally draining, as parting couples experience anger and disappointment while navigating complex legal processes and difficult personal decisions. All that makes it easy to overlook a critical matter: the need to update estate plans.

While more tasks might be the last thing a newly divorced person wants to deal with, delaying a review of your estate planning documents could invite serious trouble down the line. If you fail to update documents such as your will, trusts, beneficiary designations and powers of attorney after a divorce, your ex-spouse could, against your wishes, one day inherit your assets and make important decisions about your health care, property and other matters.

To ensure that you remain in control of your wealth, health and other matters, it's important to update your estate plan as soon as possible after a divorce to reflect your new marital status and wishes. Here are some of the essential tasks you'll need to take care of.

1. Update your health care proxy.

Health care proxies are used to appoint an agent to make medical decisions on your behalf in case you become incapacitated. If your original health care proxy named your spouse as the decision-maker, he or she could wind up making key decisions should you, for instance, end up in intensive care following a traffic accident. Unless you're comfortable with such a scenario, you should update your health care proxy to designate a different surrogate to make medical decisions on your behalf.

2. Execute a new power of attorney.

A power of attorney grants another party authority to make financial and legal decisions on your behalf when you're unable to, and spouses often designate each other. The person you designate might wind up managing your investments, filing your taxes and buying or selling real estate on your behalf. Since divorced individuals rarely want their exes making these kinds of decisions for them, it's critical to name a new agent.

3. Update your will.

Married partners often name each other as a beneficiary or executor of their respective wills. This allows them to inherit each other's assets or control their distribution, and it can convey one's wishes regarding everything from guardianship of minor children in the event of your ex's death to distribution of sentimental items. Updating your will is necessary to reflect the preferences and priorities that can change with divorce.

4. Change beneficiary designations.

In cases where a divorcing spouse fails to update beneficiaries on their financial accounts, the proceeds may end up going to an ex rather than to their children or other preferred parties. Remember that if you want to make young children beneficiaries of financial accounts, it may be wise to set up trusts to hold the assets until they are grown. Accounts that may need beneficiary reviews include bank accounts, investment accounts including IRAs and other retirement accounts, insurance policies, pensions and annuities.

New Perspective, New Possibilities

The best outcome of a divorce is to set yourself up for a better, more fulfilling future. While you might not look forward to reviewing your estate plan during the tumultuous period of divorce, doing so can align your wishes with your new marital status. Just as importantly, updating those documents can help provide closure and symbolize a fresh start. Your wealth advisor can work with our in-house estate planning team and divorce financial specialists to help ensure these important documents are updated in a timely manner and reflect your new situation as well as your needs and wishes.

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