



Hitting the Restart Button

Half of all marriages in America end in divorce. If you are in the unfortunate situation and going through a divorce you need to be versed in what to expect and how to operationally execute what is necessary to put this past you. Our firm has a unique perspective on this topic.

“
Or... you can get up and go home, and try to find some shred of what you once loved about the sweetheart of your youth.

It's your life... take a minute.
”

Hitting Restart

This is a high-level overview of the best practices accumulated through experience. Our perspective is unique because in addition to working as a financial planner, we have operated in a plan administration capacity for corporate retirement and stock plans. As a plan administrator, you do your best to maintain your emotions (albeit difficult when providing personal advice) and force yourself to apply a binary perspective as an unemotional third party.

It's
your
life

"I'm going to urge you to be generous to the point of night sweats. The all-important thing is to get you through this as quickly and cleanly as possible so that you can begin rebuilding your life. Okay?

Or... you can get up and go home, and try to find some shred of what you once loved about the sweetheart of your youth. It's your life...

Take a minute."

-War of the Roses

The median net worth in the United States is about \$97,000 so it may not be surprising to learn that 90% of all divorces are settled outside of court. When net worth grows, so does the potential complexity. Divorce can be a far-reaching life event with forensic accountants, specialized advisors, public relations (high profile divorces) and others often hired to usher in the end of the marriage—it may not be as simple as making an appointment with an attorney.

Don't assume that notifying your advisor or plan administrator of an impending divorce places assets into a vacuum; deadlines, taxes, market fluctuations and other requirements continue. Decisions that may appear innocuous from an outside uninformed view may be intended to hurt the court awarded spouse (we will get more into that later.) It is critical to stay as abreast to the situation as possible to avoid suffering a loss unnecessarily.

Once you notify your advisor or 401k administrator of a pending divorce a retirement account goes into a hold until a QDRO (Qualified Domestic Relations Order) instructs how to split the assets. At work the employer (or benefits company) will split the ESOP (RSU, PSU's etc.) in accordance to the divorce decree. A taxable account also waits for a divorce decree before making any changes.

This information may sound straight forward but dirty tricks can cause havoc on this already stressful time (specifically in the stock options.)

Dirty Tricks

Regardless of a life event ESOP awards need to be exercised or they expire worthless. In some circumstances (tax bracket bubble, intentional suppression etc.) it is important to note that your ex may be economically incentivized to look the other way and hurt you financially. If a spouse has stock awards, they may be aware (because of their position) of nonpublic events in the company and inaction could affect your expectations. Pending events could lead to what appears to be a friendly offer to purchase shares or an offer to forfeit the right to these options (if a decline is expected.) Retirement account RMD's may exist during divorce so don't ignore them.

A highly contested divorce needs to be approached with the utmost of caution and the above example hardly scratch the surface. We recommend that you seek qualified advice.

Best Practices

Never completely delegate the finances to a single spouse. This strategy serves the dual purpose of being prepared for a smooth hand-off in an emergency and having knowledge in case of an unforeseen event such as a divorce. Assume the best but prepare for the worst—divorce can bring out the worst in people so don't assume that an ex won't sabotage (or neglect something that needs to be addressed.)

As a financial planner we are held to a standard of not favoring on client over another. We strongly encourage both spouses to attend and participate in our meetings so that when an event such as this occurs, we can remain a trusted professional.

Financial planning has *evolved*.

Sources:

- What You Need to Know About Dividing Stock Options in Divorce, Rosen Law Firm, North Carolina.
- Dividing Stock Options And Restricted Stock In Divorce, Jeff Landers, Forbes.

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