



FINANCIAL IMPLICATIONS OF DIVORCE

CFS/PFM CHECKLIST

NAVY FINANCIAL READINESS

Studies at the National Institutes of Health (NIH) verify that money is a leading cause of stress in relationships. Even when a relationship ends in divorce, money often continues to be an issue. This checklist, supplemented with information and referrals from the Fleet And Family Support Center (FFSC) staff, can help you assist divorcing or newly divorced individuals reorganize their finances efficiently as they work through the many dimensions of this difficult life event.

Use this checklist as a solution-focused tool to help your counselee, set goals, establish priorities, and develop a personal action plan. Space is provided to add local resources and reminders about additional topics.

Counselor: Ask your Sailor(s) where they are in the divorce process. Are they separating? Separated? Have legal papers been filed? Remind your Sailor(s) that you are not a lawyer and that he or she will need the advice and guidance of an attorney throughout the divorce process. The base legal office may be able to help the Sailor(s) find pro bono or reduced-fee assistance if he or she finds the cost of adequate legal counsel prohibitive.

HANDOUTS

- ✓ Spending Plan Worksheet
- ✓ Major Purchases
- ✓ 5 Rules Of Buying A House
- ✓ TRICARE Overview
- ✓ Estate Planning
- ✓ Paying Off Student Loans



ADMINISTRATIVE TASKS

- Obtain an official copy of your Marital Settlement Agreement (divorce decree).

Counselor: Suggest that the Sailor(s) get several certified copies of their divorce decree and if applicable, documents concerning a name change, in case he or she needs to file them with multiple agencies.

Make sure your Sailor(s) knows that their divorce decree should specifically address spousal support, child custody, division of property (including financial assets), and other pertinent matters. Note that under the terms of the Uniformed Services Former Spouses' Protection Act of 2011, certain former spouses may be entitled to a portion of retired pay. (For more information, see <https://www.militaryonesource.mil/family-relationships/relationships/relationship-challenges-and-divorce/uniformed-services-former-spouse-protection-act-for-divorced-spouses-in-the-military>).

Also, consider how the divorce impacts Social Security benefits planning, if the Sailor(s) was married for more than 10 years. See Retirement Planner: Benefits For Your Divorced Spouse, www.ssa.gov/planners/retire/yourdivspouse.html

- Bring the divorce decree to the nearest Defense Enrollment Eligibility Reporting System/Real-Time Automated Personnel Identification System (DEERS/RAPIDS) office. Make sure your marital status is updated, and get a new military ID if you are changing your name.

Counselor: Remind the counselee that this must be done in person. He or she may view a list of acceptable identification documents at https://www.cac.mil/Portals/53/Documents/List_of_Acceptable_Documents.pdf. Your counselee can find the nearest DEERS/RAPIDS office www.dmdc.osd.mil/rsl/appj/site.

- Check your Leave and Earnings Statement (LES) for correct pay and allowances after DEERS updates.

Counselor: If the counselee's divorce leaves him or her with no dependents living with him or her, the counselee should be sure that his or her housing allowance reflects this status.

- Get a new Social Security Card, driver's license, and passport if you are changing your name.

Additional notes: _____



FINANCIAL PLANNING

- Make a spending plan for your new situation, or revise your current spending plan to account for current income, expenses, and indebtedness. Include spousal and child support, as applicable. As necessary, consider potential financial implications of divorcing in the state where the decree is issued, such as travel to that location, required classes, filing fees, and other legal fees.
- Create or restart your emergency reserve fund. Consider increasing your emergency savings to cover three to six months of living expenses, if not presently funded at that level. This is especially important if you are the sole source of income for yourself and your dependents.
- Where appropriate, close all joint credit card bank/credit union accounts and open new ones in your own name as soon as possible. Seek professional financial counseling and/or legal counsel before acting if you are unsure about taking this step.

Counselor: Remind your Sailor(s) to be sure that the new account is open and that all outstanding checks for an existing account are cleared before closing an existing account.

Ideally, this task will be accomplished with the knowledge, cooperation, and assistance of the ex-spouse. Refer your Sailor(s) to legal counsel for help if the ex-spouse cannot or will not participate.

- Clean out any joint safe-deposit box(es) and rent new one(s) in your name.
Counselor: Ideally, this task will be accomplished with the knowledge, cooperation, and assistance of the ex-spouse. Refer the Sailor(s) to legal counsel for help if the ex-spouse cannot or will not participate.
- Establish an effective bill-paying system to ensure that bills are paid on time.
Counselor: If the Sailor(s) is unfamiliar with paying bills, suggest that he or she consider financial coaching and/or taking a financial management class. Make referrals to local resources, as appropriate.
- Get a credit report, including credit score. Plan and execute a strategy to establish and maintain good credit, as necessary. Monitor the progress of your strategy. Recheck credit reports six and 12 months after the divorce.
Counselor: Remind the Sailor(s) that free credit reports may be available through the NMCRS, along with financial counseling and coaching.
- If possible, settle all outstanding joint debts. Continue to pay and monitor outstanding joint debts, as these continue to be your legal responsibility until your name is removed from the account or the debt is paid off.
Counselor: Suggest to your Sailor(s) that he or she verify that closed joint accounts have been removed from his or her credit report.
- Review retirement goals.

- Update beneficiaries of your Thrift Savings Plan (TSP) account, as appropriate.

Work with your legal counsel and your brokers or other financial professionals to reshape your retirement funding, as necessary. Ensure you understand your ex-spouse's rights to your retirement funds and benefits, and ensure that Individual Retirement Account (IRA) and other investment accounts are in your name only or your interest in those accounts is legally protected to the fullest extent possible under the law.

Counselor: Remind the Sailor(s) of the Uniformed Services Former Spouses' Protection Act, as it may apply to his or her situation (see the link in the Documents section above). Be sure your Sailor(s) knows that in some cases, a qualified domestic relations order (QDRO) is required to split a retirement account. If so, the divorcing couple should be sure to include one in the divorce settlement. After submitting the QDRO, the Sailor(s) should follow up to confirm that plan administrators have accepted it and that it has been filed with the court.

For more information about QDROs, refer the Sailor(s) to <https://www.dol.gov/sites/dolgov/files/EBSA/about-ebsa/our-activities/resource-center/faqs/qdro-overview.pdf>.

- Speak to a Survivor Benefit Plan (SBP) counselor if you are close to retirement to discuss the impact of the divorce on SBP.
- Check out any education funding changes needed as result of the divorce. Is a new income based repayment plan needed for your student loans with your change in income? See your NMCRS PFM for more information.
- Review the "Paying Off Student Loans" handout.
- Use a written receipt system to document payment or receipt of alimony/maintenance funds.
Counselor: Tell the Sailor(s) that good records will be important if payments are chronically late or withheld.
- Seek out and take advantage of financial workshops that address the needs of divorced persons.

Additional Notes: _____



HOUSING AND VEHICLES

- Analyze your housing and transportation needs and be sure to prepare your finances for any major purchases following your divorce. Review the handouts "Major Purchases" and "5 Rules Of Buying A House" for more information.

Counselor: Remind Sailor(s) to speak with a financial counselor on their installation to review their spending plan before taking on any major purchases.

- Speak with legal counsel to discuss changes to property ownership per your divorce decree.

Counselor: Suggest to your Sailor(s) that as appropriate, the or she may need to execute a quit claim deed to transfer title of real property to his or her former spouse, and/or make sure that the ex-spouse does the same, as required by the divorce decree. The Sailor(s) should then ensure the deed is filed by the county recorder where the property is located. The Sailor(s) should also complete any refinancing or mortgage assumptions as necessary.

- Work with your base housing office for any housing needs.
- Update your mailing address with all creditors.
- Change utilities and other household accounts to your name.
- Update your car titles(s) and registration(s) as required.

Additional notes: _____



INSURANCE

Review and update your current insurance policies.

1. Medical Insurance:

- If you are covered by TRICARE, change your TRICARE medical and dental enrollments, as necessary. If you are covered by any other health policies, adjust coverage to suit your current circumstances. Review the handout “TRICARE Overview” for more information and helpful links.

2. Property/Auto Insurance:

- Review and update your homeowners or renters property and liability insurance policies to ensure they are in your name and are adequate for your new situation.
- Update your auto insurance policies to reflect any changes.

Counselor: Remind your Sailor(s) to inform their insurance carrier of their new marital status and remove the ex-spouse from the list of drivers in the household.

3. Life Insurance:

- Update the beneficiaries of your Servicemembers’ Group Life Insurance (SGLI), as required.
Counselor: Inform Sailor(s) that the SGLI Online Enrollment System (SOES) allows service members with full-time SGLI coverage to make fast and easy changes to their life insurance coverage and beneficiary information at any time without completing a paper form or making a trip to their personnel office. To access SOES, they must sign into www.dmdc.osd.mil/milconnect and go to the “Benefits” tab, Life Insurance SOES-SGLI Online Enrollment System.
- Evaluate your life insurance needs to ensure you have enough coverage, the right type of coverage, and correct beneficiaries. A simple method to calculate your life insurance needs is to use the acronym LIFE. Start by totaling all four categories listed below.

L iabilitys	Debt you would like to pay off, like a mortgage, auto loan or credit card(s).	\$
I ncome to be replaced	Income you would like to replace. Multiply targeted annual income amount by the number of years to replace.	\$
F uneral and final expenses	The amount you would like to set aside for final expenses.	\$
E ducation and other goals	The amount you want to set aside to fund education and other goals for family, friends, or charitable organizations.	\$
	Total life insurance needed	\$\$\$\$

Then compare your life insurance needs with your current amount of coverage plus any assets available at death. If you find you need additional coverage, then consider supplementing Servicemembers' Group Life Insurance (SGLI) with a commercial life insurance policy. Review the policy for any restrictions, such as a war clause. Common life insurance policies include:

- Term Insurance — provides a stated amount of coverage over specific period of time and is designed to provide a large amount of coverage for the least cost.
- Permanent insurance — provides coverage designed to last for your entire life and can build cash value.

There are several permanent life insurance options offered such as universal life, whole life, variable life and even variable universal life insurance. These policies have a surrender period and will be subject to fees and penalties if canceled during this time.

Counselor: Remind counselees to ask questions and fully understand any commercial life insurance policy they are considering purchasing. They should understand the cost, coverage, terms and conditions, as well as how the agent is compensated before making a decision to buy.

4. Disability Insurance:

- If your ex-spouse pays alimony or child support, if it is possible and feasible, take out a life and/or disability insurance policy on him or her.

Counselor: Explain to your Sailor(s) that this will protect his or her income should the ex-spouse die or become disabled. The Sailor(s) should be both the owner and beneficiary, and should control payment of premiums. (The cooperation of the ex-spouse may be required.)

- See your base legal office (active duty) or other legal counsel (Reserve) to determine the proper course of action regarding powers of attorney (POA) of your ex-spouse, if POAs are in place.

Additional notes: _____



ESTATE PLANNING

- See your base legal office (active duty) or other legal counsel (Reserve) to determine the proper course of action regarding powers of attorney (POA) of your ex-spouse, if POAs are in place.
- Review the "Estate Planning" handout and see your base legal office (or other legal counsel) to establish or update estate planning documents.

Counselor: If the Sailor(s) does not yet have an estate plan, provide the "Estate Planning" handout and suggest that he or she develop an estate plan with assistance from the base legal office (active duty) or civilian legal services (Reserve; legal services are sometimes available through civilian employers). To help active-duty Sailor(s) learn more about Navy legal services, refer them to www.jag.navy.mil/legal_services.htm. Suggest that the Sailor(s) seek legal assistance as soon as possible. He or she should not wait until right before temporary duty (TDY) travel or deployment, when appointments may be difficult to get.



TAXES

- Review your new tax situation and change federal and state withholding as needed. This can be done in MyPay. Reserve members will need to do it with their employers as well.

Counselor: The Sailor(s) should be sure to have the Social Security numbers of the former spouse and all children. Remind your Sailor(s) the he or she may need the numbers for tax returns. The Sailor(s) may also need the former spouse to sign an IRS Form 8332, Release/Revocation of Release of Claim to Exemption for Child by Custodial Parent, to indicate what the divorcing partners' agreement is regarding claiming the children as exemptions.

- Update personal property tax records in your city and/or county to reflect your new marital status.

Additional notes: _____
