PLANNING for a DIVORCE?

Essential Financial Steps to Take First

THE NULMAN GROUP

7 Essential Financial Steps to Take First

Let's face it...divorce can be messy and even scary. But at the same time, divorce can be a time of liberation, empowerment and rejuvenation. It all depends on what you do with the proverbial lemons life has given you. This is certainly true when it comes to your financial health. Effectively managing your finances during a divorce can play a major role in your long-term success, and women in particular should be proactive in this regard.

The following financial advice describes 7 essential steps toward financial wellness during a divorce designed to enhance your competence, confidence and sense of self-sufficiency. By taking the time to perform these basic tasks, you will be much more likely to emerge stronger and more independent in the process.

SECTION

1 Arm Yourself with Financial Advice

You can benefit greatly from having an astute financial advisor to help guide you through the divorce process, in addition to guidance from an experienced attorney. Many think of a financial advisor as an investment broker, but in reality, these professionals offer a more comprehensive array of services that are invaluable when going through divorce. Keen financial analysis and insight are required to successfully negotiate and plan a desirable settlement and a post-divorce financial life.

A divorce team that includes a financial advisor is inherently a stronger team. Constructing a thorough post-divorce budget, calculating your spouse's ability to pay, and estimating the value of complex financial assets can be daunting.

This complex level of financial analysis is typically beyond the knowledge of an attorney, and as a result, your attorney will likely encourage you to enlist the services of a financial advisor.

Adding a financial advisor to your divorce team is simply the smart move to make!

There are different types of advisors to hire and getting it right matters.
The following provides a summary of some important distinctions between two types of professionals:

Financial Advisor Vs. Investment Broker

	Financial Advisor	Broker
Common Terms	Fiduciary	Registered representative
Legal Duty Requirements	Ethically and legally obligated to act in your best interest	Required to recommended investments suitable for clients
Duties to Inform	Higher standards of transparency to provide meaningful and relevant information	Duty to provide disclosure documents that are often complex and hard to understand
Services Provided	Comprehensive financial advice involving many areas of life	Primarily transactional services related to investment products with limited advice provided
Fees and Costs	Fees primarily based on services provided	Commission-based fees based on invest-ment product sales
Incentive Structures	Aligned better with client interests	Potential for conflicts with client interests

Source: Kiplinger, 2015

Having a qualified financial advisor at your side who is legally and ethically obligated to act in your best interest provides you with several benefits. They can alleviate stress associated with financial decisions made during the divorce process, perform analyses that you may be ill-equipped to perform, and provide you with invaluable and objective advice. At the same time, financial guidance can also prepare you for what's ahead in future negotiations to come.

Knowing which financial documents to prepare, how to analyze balance sheets, and what reflects reasonable alimony arrangements often are bedrock pieces of information in these negotiations. Choosing a financial advisor you can trust offers you key support for a stable financial future. Make adding an financial advisor one of your top priorities!

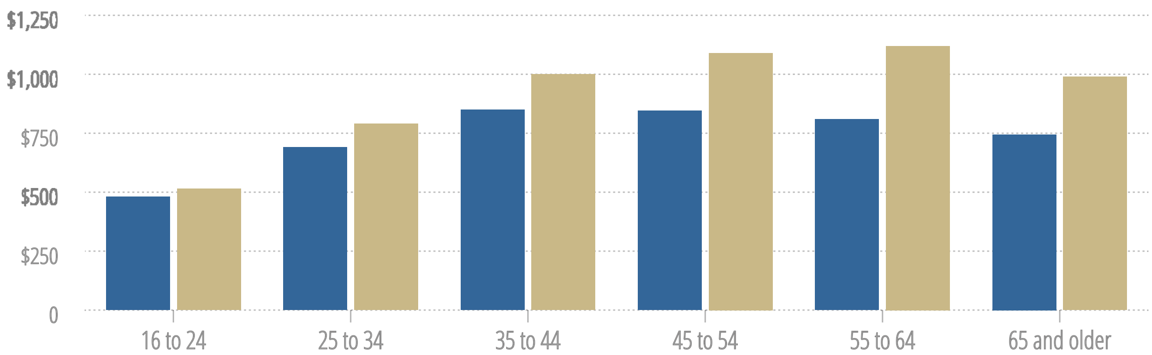
Woodring, Pete. "Know the Difference Between a Broker and a Registered Investment Adviser." Kiplinger.com, 2015. Retrieved from https://www.kiplinger.com/article/investing/T023-C032-S014-the-difference-between-a-broker-and-an-adviser.html

SECTION

2 Secure Your Resources: Budgeting and Cash Flow Needs

Did you know that women tend to struggle much more financially after a divorce than men? According to the U.S. General Accounting Office, the household income for women after a divorce falls by 41 percent while men's income falls only 23 percent. To make matters worse, married women who are employed tend to make nearly a quarter less income when compared to married men. Women clearly have a major disadvantage financially when it comes to divorce!

Median usual weekly earnings of women and men who are full-time wage and salary workers, by age, 2016 annual averages



Source: BLS, 2017

Given this data, and the fact that a minority of married women are involved in financial planning when married, it is understandable that having a budget is an essential task when planning a divorce. Budgets are not only important in determining post-divorce arrangements, but they are also essential in managing cash flow during and following the divorce. A financial advisor can help you determine a budget over both now and in the future, help your plan for life events, and allocate funds for legal and other professional fees. Thus, making sure you have enough financial resources to attain the support and guidance needed should be a priority.

US General Accountability Office. "Retirement Security: Women Still Face Challenges." Report to the Chairman, Special Committee on Aging, U.S. Senate, 2012. US Bureau of Labor Statistics. "Highlights of women's earnings in 2016." Website, 2017. Retrieved from https://www.bls.gov/opub/reports/womens-earnings/2016/home.htm

SECTION

3 Knowing What's Fair: Equitable Asset (and Liability) Distribution

When couples split, they naturally share many things...a home, real estate, furniture, cars, and much more. They usually share debt as well such as mortgages, automobile loans, and credit card debt. In financial terms, these are called assets and liabilities respectively, and knowing how to divide these fairly is a major challenge when it comes to divorce.

From a legal perspective, equitable distribution of assets and liabilities requires a "fair" division rather than one that is completely equal. Likewise, property you owned before you got married, or debts you owed previously, are not included in equitable distribution.

The challenge comes in determining what is fair and exactly what was owned by whom before the marriage started. Furthermore, you may not be aware of all your partner's assets and liabilities. A 2014 National Endowment for Financial Education survey showed that 15 percent of people hid bank accounts from their partner while a similar amount lied about their actual income.

Knowing how to fairly and equitable divide assets and liabilities is one of the most difficult tasks for individuals going through a divorce. Having appraisals of asset values can be helpful in this regard. If you followed step 1 and hired a financial advisor, your advisor can be invaluable here. They can help perform the analysis and work necessary in creating an asset and liabilities worksheet, which will be the basis of the equitable distribution portion of your settlement. The following is a sample assets and liabilities worksheet that highlights where such advice and guidance can be of great assistance.

A professional financial analysis can provide a tremendous advantage in achieving a fair divorce settlement!

National Endowment for Financial Education "Three in ten Americans Admit to Financial Deception with Partners," 2011.

The following is a sample assets and liabilities worksheet that highlights where such advice and guidance can be of great assistance.

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	DESCRIPTION		VALUE	DIVISION	
				You(%)	Spouse(%)
Real Estate: Includes houses, condos, timeshares and undeveloped land.	Property #1:			%	%
	Property #2:			%	%
Furniture and Household Items: Includes beds, couches, etc. You can list specific items or general categories, such as kitchen appliances. You can also decide how specific you want to be in creating this list, but please keep in mind you and your spouse should be in agreement in both the details and the actual division of property. If you have more items to list, please use a separate sheet of paper.	Item #1			%	%
	Item #2			%	%
	Item #3			%	%
Vehicles: Vehicle description should include enough information to identify the item or distinguish it from any other item that you own. In other words, 2007 Chevy Malibu would be sufficient.	Vehicle #1			%	%
	Vehicle #2			%	%
Financial Assets: Includes any savings, checking, CDs, money market, brokerage accounts, stocks, bonds and other securities. On the online questionnaire, you should also be prepared to enter names of financial institutions and names on accounts.	Financial Asset #1			%	%
	Financial Asset #2			%	%
	Financial Asset #3			%	%
Retirement and Pension Accounts: Includes IRAs, 401(k)s and ESOPs. Note: The court must usually enter a Qualified Domestic Relations Order (QDRO) to complete the division of these assets.	Account #1			%	%
	Account #2			%	%
Other Assets: Anything not included in the categories above, such as jewelry or collectibles.	Asset #1			%	%
	Asset #2			%	%
Marital Debt: Includes credit cards, mortgages, mortgage refinances and other non-secured debts.	Debt #1			%	%
	Debt #2			%	%
	Debt #3			%	%
Spousal Support (or Alimony): Payments made by one spouse to the other for financial assistance. This should not be confused with child support, money paid for the care of one's children. If neither spouse is requesting spousal support, skip this section.	Who is requesting alimony?				
	☐ Husband	Start date	$ per month		
	☐ Wife	End date			

Legal Zoom "Divorce WS Marital Asset." Website, 2018. Retrieved from: www.legalzoom.com/pdf/divorce_ws_maritalasset.pdf

SECTION

4 Create an Alimony Strategy

Just as confusing as equitable asset distribution is the calculation of alimony payments.

The legal standard for determining alimony is based on needs of one party and the ability to pay for the other. But practices vary from state to state, and most recently, changes in the federal tax laws further complicate the picture.

Of course, this does not mean you should not have some understanding about alimony and how you can best leverage your situation to your financial advantage.

As a general guideline, the American Association of Matrimonial Lawyers often use rough formula to determine alimony payments. This formula takes 30 percent of the payor's gross salary and deducts 20 percent of the payee's gross salary to determine alimony payments. But this can be further complicated by the length of the marriage, existing assets and liabilities, as well as special circumstances. Likewise, as the following table shows, different types of alimony exist:

Alimony Type	Description
Permanent Alimony	Infrequently awarded, but when provided, it typically involves marriages of 17 years duration or longer
Durational Alimony	Alimony based on duration of marriage with alimony payments required for half the time of the total marriage duration
Bridge-the-gap Alimony	Alimony payments usually awarded for less than 2 years to allow spouse to regain financial independence
Temporary Alimony	Alimony awarded during the divorce to allow necessary support

In developing an alimony strategy, it is essential to understand your own budgetary needs as well as the earning capacity of your partner since both your financial affidavits will be used to determine alimony parameters. Your financial advisor can assist in guiding you through this process to help you better position yourself financially when it comes to your post-divorce income.

Willick, Marshal S. "A Universal Approach to Alimony: How Alimony Should Be Calculated and Why." J. Am. Acad. Matrimonial Law. 27 (2014): 153.

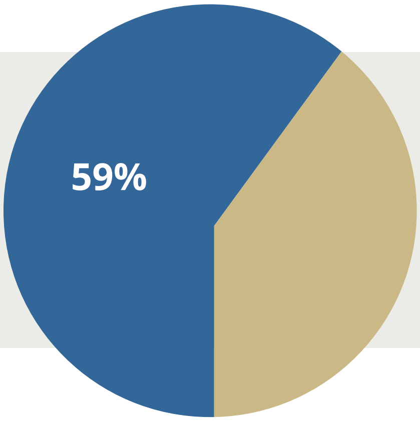
SECTION

5 Embrace Your Independence: Building Credit and Financial Autonomy

According to a survey conducted by UBS, fifty-six percent of women deferred to their husband for all financial planning. In another study by Experian, fifty-six of women surveyed say that their credit score declined during their marriage, and half of women surveyed believed that their ex-spouses ruined their credit score. For these reasons, and for psychological empowerment, taking steps to strengthen your financial credit is essential.

FINANCIAL INDEPENDENCE DURING MARRIAGE

59% REGRET NOT BEING MORE FINANCIALLY INDEPENDENT IN THE MARRIAGE



Source: Experian, 2017

Even during the divorce process, it is important to have your own source of funds and credit. Opening your own personal checking and savings accounts can help secure access to financial resources while having your own credit cards can help establish credit that will be needed after the divorce. Also, having your own post office box where you can receive personal financial statements should be considered. You will naturally cancel joint accounts and credit cards after the divorce, but in the meantime, moving toward greater financial independence can provide increased levels of self-sufficiency immediately.

UBS. "Own your worth." Website, 2018. Retrieved from https://www.ubs.com/content/dam/WealthManagementAmericas/documents/2018-37666-UBS-Own-Your-Worth-report-R32.pdf Experian "Survey Results: When Divorce Does Damage to your Credit," 2017.

SECTION

6 Negotiate with All the Facts: Understanding New Tax Ramifications

What might seem reasonable initially during divorce negotiations may not appear so after various taxes are realized. For example, for divorce cases settled prior to December 31, 2018, alimony payments were previously tax-deductible for the paying spouse and non-taxable for the receiving spouse, but this is no longer the case.

Assets exchanged between spouses during the divorce might be subject to taxable gain and/or transfer taxes, or they may have less value from an after-tax perspective.

For example, the 2018 tax law reduced the interest on eligible mortgage deductions and capped property tax deductions. This essentially raises the carrying costs of holding a house, which is something you would definitely want to consider.

Failing to understand these issues and recognize their effects can make a significant difference in your financial situation. The 2018 new tax law also expanded the use of 529 plans, allowing their use for private school tuitions and for continuing education. Funding and custody of these types of plans should be part of your property settlement discussions.

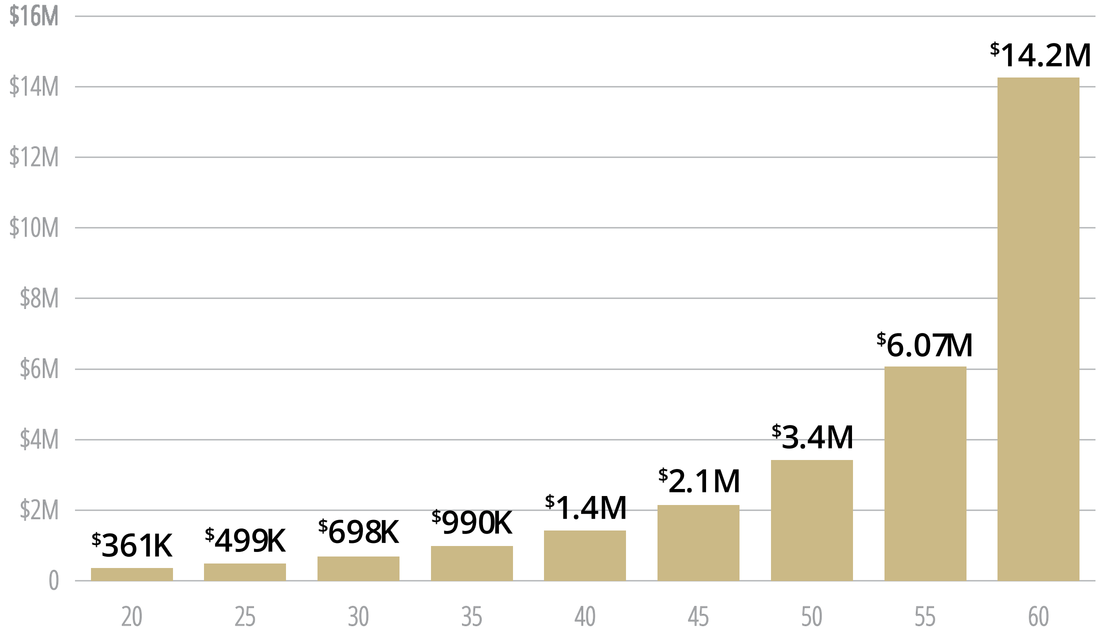
The good news is that some of these taxes can be avoided completely with proper planning and guidance. In other instances, knowing the tax effects can help you make better decisions during divorce negotiations to protect your financial assets. While a financial advisor is not a certified accountant, they can offer advice concerning the tax ramifications involved when it comes to asset negotiations during divorce. This information will enable you to determine more accurately whether proposed asset distributions, alimony and other divorce agreements are truly to your advantage.

SECTION

7 Plan Ahead: Preparing for Life After Divorce

For many women, financial planning prior to divorce was not part of their routine. Traditional gender roles may have assigned that responsibility to their husband. But after divorce, an important step toward financial autonomy and independence involves planning for retirement. This not only requires that you make sure existing retirement funds get transferred in a tax-deferred manner when possible, but it also involves structuring your own retirement moving forward. As the following graph shows, the benefit of compounding interest makes it much easier to achieve a comfortable financial retirement the earlier you begin to save.

How Much You Need To Save To Get To $1M At Retirement (6% Return Rate)



Source: Business Insider, 2014

A number of financial investment products are available for retirement planning including 401K plans, IRAs, Roth IRAs, annuities, and more. Even some insurance products offer effective retirement planning while also meeting life insurance needs. In addition to changing your beneficiaries on these policies, you might explore various options that could help you invest for retirement and enable you to transfer wealth to your children or loved ones. Given the complexities of these areas, financial advice is often very helpful in this regard.

One additional word about insurance. Divorce often involves issues and negotiations surrounding health insurance.

Given that most individuals spend 8 percent of their income on health insurance, understanding how this can be affected by divorce is essential. According to the IRS, women should have a good understanding of how divorce affects their healthcare coverage obligations as well as the potential tax penalties involved.

This can be particularly important when children are involved. By understanding both retirement and insurance needs, and the current effects of divorce on these areas, better planning for your future can be pursued.

Change Your PERSPECTIVE, Change Your LIFE

Circumstances may be difficult to control, but perspective can be readily changed. When it comes to divorce, your approach and point of view can have a tremendous impact on the outcome. This is certainly relevant to your financial well-being.

The steps provided above offer a proactive and comprehensive approach in establishing the best financial situation possible as you go through your divorce and into the future. By investing energy into these specific tasks, you will not only feel more competent but also more empowered. With the proper guidance and effort, you can overcome the many financial challenges that divorce may bring and do so with confidence, strength and success.

Our Core Philosophy is Client Service

Working With Us

One of our core philosophies is to offer quality client service.
We view our operations through the eyes of our clients and continually seek to offer client service that is second to none.

We understand no two individuals or businesses are alike. That is why our approach always begins with listening to you, understand the whole picture and then responding in a way deemed suitable for your needs and circumstances. Sometimes that means developing a complete investment strategy, while at other times it means designing a specific solution to help meet an induvial need.

Holistic Approach

We provide wealth management services to high net worth individuals, family offices, trusts, non-profit organizations and institutions.
Our approach is holistic, taking into consideration our client's needs, goals, and most importantly, risk tolerance.

We support our clients through the stages of acquiring wealth, preserving it and creating a personal and philanthropic legacy. Through learning about our clients' lives, we work on addressing their needs while recommending a tactical and strategic framework that includes asset allocation, risk diversification and active portfolio review. We pride ourselves on delivering impeccable customer service tailored to each client's specific needs.

Customized, Trustworthy, Client-Focused.

Carol Nulman

Managing Director, Partner

Carol is the Managing Director and Partner of The Nulman Group. Carol has more than twenty years of experience in the financial service industry. Her career began at Lehman Brother Kuhn Loeb where she developed a business based on high net worth individuals and institutional clients.

She continued to build upon these relationships as she moved to Wertheim Schroder. When Wertheim merged into the company then known as Salomon Smith Barney, Carol stayed through the transition and remained there until April 2009. For six years, Carol served as the Managing Director-Investments for The Nulman Group at Oppenheimer.

Richard Lewis, AIF®

Managing Director, Partner

Richard Lewis is a Private Wealth Manager for The Nulman Group. He works closely with entrepreneurs, business owners, professionals, corporate executives and their families to address complex financial needs.

Richard also designs and manages The Nulman Group's marketing efforts to focus on enhancing the client experience. These responsibilities include analyzing and tracking company media presence and growth opportunities, corporate event planning, and developing effective content for specific target populations, and editorial communications.

The Nulman Group

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3 Davol Square
Suite a330
Providence, RI 02903

Office: (401) 537-1021