



FINANCIAL IMPLICATIONS OF DIVORCE

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 Health, Safety and Work-Life (HSWL) Regional Practice staff, can help you reorganize your finances efficiently as you work through the many dimensions of this difficult life event.

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

HANDOUTS

- Goal-Setting Worksheet
- Spending Plan Worksheet
- Understanding Credit
- Military Consumer Protection
- Sources of Help for Military Consumers
- Major Purchases
- 5 Rules of Buying a House
- Education Benefits and Savings
- Paying off Student Loans
- Military Retirement
- Thrift Savings Plan
- Estate Planning
- TRICARE Overview
- Survivor Benefits Overview

Counselor: Ask your members where they are in the divorce process. Are they separating? Separated? Have legal papers been filed? Remind your members 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 local legal assistance office may be able to help them find pro bono or reduced-fee assistance if he or she finds the cost of adequate legal counsel prohibitive.

★ Administrative Tasks

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

Counselor: Suggest that the members get several certified copies of their divorce decree and if applicable, documents concerning a name change, in case they need to file them with multiple agencies.

Make sure members know 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.dcms.uscg.mil/Portals/10/CG-1/PPC/Docs/Legal/Uniformed%20Services%20Former%20Spouse%20Protection%20Act%20\(FSPA\).pdf](https://www.dcms.uscg.mil/Portals/10/CG-1/PPC/Docs/Legal/Uniformed%20Services%20Former%20Spouse%20Protection%20Act%20(FSPA).pdf)).

Also, consider how the divorce impacts Social Security benefits planning if a member was married for more than 10 years. See Retirement Planner: Benefits For Your Divorced Spouse, <https://www.ssa.gov/benefits/retirement/planner/applying7.html#h4>.

- ☐ Obtain a new Social Security card, driver's license, and passport if you are changing your name.
- ☐ See your local legal assistance 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.
- ☐ Bring the divorce decree to the nearest Defense Enrollment Eligibility Reporting System/ Real-Time Automated Personnel Identification System (DEERS/RAPIDS) office. Obtain a new military ID if you are changing your name.

Counselor: Remind the members 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 member can find the nearest DEERS/RAPIDS office at <https://idco.dmdc.osd.mil/idco/>.

- ☐ Check your Payslip after DEERS updates.

Additional notes: _____

★ Basic Finance

- ☐ Update your personal spending plan using the *Spending Plan Worksheet* Handout. A good spending plan helps you manage your money, plan for your financial goals, and prepare for emergencies. Here are four steps financial experts suggest to get started.

Counselor: Inform members that you can provide a **Spending Plan Worksheet Handout** as well as more detailed templates with features that can help them understand their financial situation and reduce excessive debt.

Step 1 — Understand your current situation

In this step, it's important to understand what's REALLY going on with your money today. Start tracking all your income and spending for the next 30 days. How you do the tracking is up to you, but what's important is you do it.

Step 2 — Know where your money should go

Financial experts offer these general guidelines when budgeting your money:

- Try to save and/or invest 10% – 15% of pretax pay.
- Strive to keep transportation expenses including car payments, insurance, gas and maintenance to 15% – 20% of pretax pay.
- Limit housing expenses, including mortgage or rent payment, taxes, utilities, and maintenance to your Basic Allowance for Housing or 25% – 30% or less of pretax pay.



Step 3 — Create a plan

Build a plan for setting aside money and putting limits on how much you'll spend each month per category.

- Prioritize your financial goals.
- Establish an emergency fund. Financial experts suggest you should keep at least three to six months of living expenses in reserve. If you do not have that much saved, consider setting aside a little each paycheck to help get you there.

Counselor: Review **Goal-Setting Worksheet Handout**. Share with members the concepts of paying yourself first, automating savings, and keeping their emergency fund in a separate account. Remind members they can make saving effortless by setting up an automatic transfer through their bank or an allotment, time permitting.

Step 4 — Make adjustments

Update your spending plan as your life changes. Monitor your plan until you have fully adjusted your finances to reflect your new situation.

- ☐ Where appropriate, close all joint bank and/or 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 members to be sure that the new account is open and that all outstanding checks have cleared before closing an existing account. Ideally, this task will be accomplished with the knowledge, cooperation, and assistance of the ex-spouse. Refer your members to legal counsel for help if the ex-spouse cannot or will not participate.

- ☐ Settle all outstanding debts, if appropriate. 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 members that they verify closed joint accounts are reflected accurately on their credit report.

- ☐ Establish an effective bill-paying system to ensure that bills are paid on time.

Counselor: If a member 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.

- ☐ Use a written receipt system to document payment or receipt of alimony/maintenance funds.

Counselor: Tell members that good records will be important if payments are chronically late or withheld.

- ☐ Check each of your three major credit reports for free at <https://www.annualcreditreport.com>. Members can request free credit monitoring services from the nationwide credit reporting agencies: Equifax, Experian, and TransUnion. Review the *Understanding Credit* Handout for more information.

Counselor: Remind members that they may be able to get a free copy of their credit reports from their assigned Command Financial Specialist (CFS) and the Personal Financial Manager (PFM) at their local Health, Safety and Work-Life (HSWL) Regional Practice. The PFM can also help them interpret their reports and discuss what they need to do to improve their credit scores.

- ☐ Review your new tax situation and change federal and state withholding as needed via Direct Access url: <https://hcm.direct-access.uscg.mil>. Reserve members will need to do this with their employers as well.

Counselor: *Members should be sure to have the Social Security numbers of the former spouse and all children. Remind members they may need the numbers for tax returns. They 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, to include car registration/tax records, especially if a name change may take place.

Additional notes: _____

★ Consumer Protection

- ☐ Review the *Military Consumer Protection* Handout for additional information on identity theft, the Servicemembers Civil Relief Act (SCRA), and Military Lending Act (MLA).

Counselor: *Remind members the local legal assistance office can assist by reviewing contracts to help keep members from falling victim to predatory lenders and fraudsters.*

- ☐ Protect yourself from misleading consumer practices and know basic procedures for handling a consumer complaint or dispute. Review the *Sources of Help for Military Consumers* Handout.

Additional notes: _____

★ Major Purchases

- ☐ Analyze your housing and transportation needs and be sure to prepare your finances for any major purchases. Review the *Major Purchases* and *5 Rules of Buying a House* Handouts for more information.

Counselor: *Remind members to speak with Personal Financial Managers at their local HSWL Regional Practice to build and review their spending plan before taking on any major purchases.*

- ☐ Work with the housing office for any housing needs related to the change in your marital status.

Counselor: *Remind members that if they are renting a new residence, to be sure their lease contains a military clause.*

- ☐ Review the *Education Benefits and Savings* and *Paying off Student Loans* Handouts to learn more about financing education, available benefits, obligations, and repayment options.

Counselor: *Remind members to check on GI Bill benefits, tuition assistance, and the College Level Examination Program (CLEP) to help cover or offset costs of higher education. Suggest, they may want to investigate if an income-based repayment plan is appropriate if their income has changed.*

Additional notes: _____

★ Planning for the Future

- ☐ Review your retirement savings goals. 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. For more information on components of military retirement and the TSP, refer to the *Military Retirement* and *Thrift Savings Plan* Handouts.

Counselor: *Remind the members of the Uniformed Services Former Spouses' Protection Act, as it may apply to their situation. Be sure members know 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, members 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 members to <https://www.dol.gov/sites/dolgov/files/EBSA/about-ebsa/our-activities/resource-center/faqs/qdro-overview.pdf>.*

Inform members the rules for qualified domestic relations orders (QDROs) that apply to private sector plans don't apply to the TSP accounts. A valid Retirement Benefits Court Order (RBCO) is required to divide the TSP account. Their current or former spouse could be awarded a portion of their Thrift Savings Plan account if a valid Retirement Benefits Court Order (RBCO) is issued to divide their account.

- ☐ Update beneficiaries of your Thrift Savings Plan (TSP) and Individual Retirement Accounts (IRA), as appropriate.
- ☐ 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.

L liabilities	Debt you would like to pay off, like a mortgage, auto loan, or credit card(s)	\$
I ncome to be replaced	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 and benefits 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 may have a surrender period and be subject to fees and penalties if canceled during this time.

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

- ☐ Update the beneficiaries of your Servicemembers' Group Life Insurance (SGLI), if appropriate.

Counselor: *Note that Reserve members assigned to a unit scheduled to perform at least 12 periods of Inactive Duty creditable for retirement purposes can purchase full-time SGLI coverage that is in effect 365 days of the year. They are also covered for 120 days following separation or release from duty. Refer members to <https://www.benefits.va.gov/insurance> for more information. Inform members that the SGLI Online Enrollment System (SOES) allows Coast Guard 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 <https://milconnect.dmdc.osd.mil/milconnect> and go to the "Manage my SGLI" tab.*

- ☐ Review and update your homeowners or renters property and liability insurance policies to ensure that they are adequate for your new circumstances.
- ☐ Update your auto insurance policies, to inform your insurance carrier of your new marital status.
- ☐ Consider insuring any sources of income you are receiving from your ex-spouse. If your ex-spouse pays alimony or child support, if it is possible and feasible, consider taking out a life and/or disability insurance policy on him or her.

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

- ☐ Speak with the local legal assistance office to discuss changes to property ownership per your divorce decree. (Examples: Car titles and deeds to property).

Counselor: *Suggest to members that as appropriate, he 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. Members should then ensure the deed is filed by the county recorder where the property is located. Members should also complete any refinancing or mortgage assumptions as necessary.*

- ☐ Review the *Estate Planning* Handout and see your local legal assistance office (or other legal counsel) to establish or update estate planning documents such as wills, power of attorney, trusts, etc.

Counselor: *If a member does not yet have an estate plan, encourage them to develop a plan with assistance from the local legal assistance office (Active Duty) or civilian legal services (Reserve; legal services are sometimes available through civilian employers). To help Active Duty Coast Guard members learn more about Coast Guard legal services, refer them to <https://www.uscg.mil/Resources/Legal>. Suggest members should seek legal assistance as soon as possible. They should not wait until right before temporary duty (TDY) travel or deployment, when appointments may be difficult to get.*

Additional notes: _____

★ Compensation, Benefits, and Entitlements

- ☐ 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 *TRICARE Overview Handout* for more information.

Counselor: *Note that TRICARE Prime and TRICARE Select require annual enrollment. Members may also want to reassess their own TRICARE plan. Refer Active Duty Coast Guard members to <https://www.tricare.mil/Plans/HealthPlans>. Refer Reserve Component Coast Guard members to <https://www.tricare.mil/Plans/HealthPlans/trs>.*

Remind Reservists that they must ensure continuous, regular payments to stay enrolled in TRICARE Reserve Select. Irregular drill pay can cause members and family members to be dropped until the next open enrollment period.

Remind members with civilian insurance plans to review available policies for features like deductibles, copays, prescription coverage, costs for in-network and out-of-network coverage, and other options that can affect the true cost of health care.

- ☐ Speak to a Survivor Benefit Plan (SBP) counselor if you are close to retirement to discuss the impact of the divorce on SBP. Ensure that the SBP benefit is addressed in your divorce decree and/or addressed in relevant legal documents. Refer to the *Survivors Benefits Overview Handout* for a brief overview of the benefits provided.

Additional notes: _____

★ Saving and Investing

- ☐ Establish an emergency fund. Financial experts suggest you should keep at least three to six months of living expenses in reserve. If you do not have that much saved, consider setting aside a little each paycheck to help get you there.

Additional notes: _____
