Managing Your Money

Six Tips For Managing Your Investments Through Divorce

(NAPS)—Not only can financial problems in a marriage be a significant factor in a couple's decision to get a divorce, the financial fallout from divorce can leave spouses struggling to pick up the pieces.

Whether you're currently working through a divorce or just want to be prepared, here are six tips to consider that can help you better understand—and stay in control of—your investments.

1. Update Account Beneficiaries: If you don't want your spouse (or ex-spouse) to be the beneficiary to your investment or other financial accounts, designate one or more new beneficiaries.

2. Get Access to Accounts: Make sure you have key information to all of your household assets, including any investment accounts. This is especially important if you don't typically manage the household finances.

Make a list of all the financial accounts and their assets that you may be entitled to. Know how each account is set up: Is it in your name only, your spouse's name only, jointly held? Gather account numbers, login credentials, contact information and other information to access these accounts.

3. Taxes and Other Penalties: Before you sell any assets, consider the tax consequences and other possible costs or penalties. Selling securities may trigger capital gains taxes and liquidation of, or early withdrawal from, certain investments—such as retirement accounts or annuities—may carry penalties.

4. Dividing Up Taxable Investment Accounts: Splitting up assets between spouses will be subject to different processes, depending on the type of investment account. For taxable accounts, such as a jointly held brokerage account, you typically must provide a letter requesting that the joint account be closed and that new, separate accounts be opened in each person's name.

It's important to note that not all assets may be transferable and liquidating such products may result in penalties, taxes and fees. If you're worried your spouse may take action before you've come to terms, you can ask that the account be frozen until you reach an agreement on how to divide your assets.

5. Splitting Up Retirement Accounts: In most states, retirement account assets are considered marital property, which means your spouse may be entitled to a portion of these assets. Dividing them up gets complicated because different information is required and different rules apply depending on the type of account, and that could mean triggering taxes and fees you'll likely want to avoid, if possible.

Dividing assets during divorce can be overwhelming. These six tips can help.

To split employer-sponsored 401(k), 403(b) or pension plans, you're typically required to provide a Qualified Domestic Relations Order (QDRO) to the plan administrator (usually your employer). While each plan has its own guidelines, a QDRO generally lets the funds in these types of retirement plans be separated and withdrawn without penalty.

When it comes to dividing up IRAs, there is no QDRO. IRA plan assets are divided based on the terms of the divorce decree or separation agreement. The only way to not incur taxes is to have a court-ordered divorce decree and to roll the separated funds into new, separate IRAs.

If you receive assets from your spouse's retirement plan and want to cash out by taking a distribution, taxes and early-withdrawal penalties, if any, will depend upon the type of account. Be sure to investigate your options.

6. Enlist the Help of Professionals: Dividing financial assets during divorce can be overwhelming, so you might consider asking for guidance from an attorney, accountant or other financial professional with experience with estate planning and other investment-related issues. Be sure to carefully vet any financial pros before doing business with them. You can check out brokers or investment advisers using FINRA BrokerCheck.

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