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divorce

Financial Analyst Journal

6 WAYS THE CORONAVIRUS CAN INFECT YOUR DIVORCE

And Simple Steps to Protect Yourself

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From the
President's Desk

I hope that you and your families are all safe and healthy in these uncertain times. It is difficult to begin to chronicle all the changes that have occurred since our first quarter *Journal* was mailed. And, if the last few months have demonstrated anything, it is that things will continue to change and adapt as we journey to our new normal.

Due to the changes in work schedules, print schedules and mail delivery, IDFA has decided to transition the *DFA Journal* to digital publication. Individual articles will continue to be available in IDFA Learning and available for use by submitting the article reprint form.

We currently are anticipating being able to host the IDFA National Conference in Las Vegas, September 30–October 2 at Caesars Palace. We are extending early bird registration through June 1, and we encourage you to take advantage of low airfares and register now. **Register using code Early20 to save $150 on your conference pass.** In the unlikely event that we have to cancel our event, we will provide full refunds to anyone who has registered.

IDFA has also postponed the charging of a late renewal fee for those individuals that renew more than 90 days past their renewal date. Our recertification requirements of 15 hours of divorce-related continuing education cannot be waived, as this is how our membership demonstrates their continuing competence. However, we do realize that during this disruption some individuals will not be able to complete their continuing education in a timely manner.

We remain committed to providing our CDFA certificants the level of customer service they have come to expect. We will continue to provide updates on the website, in the IDFA Insider, and through our monthly e-newsletters. Please do not hesitate to contact us at info@institutedfa.com or (800) 875-2760 if we can provide any support or assistance.

Carol Lee Roberts

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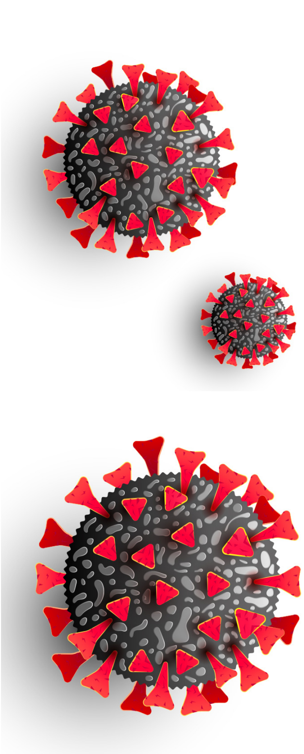

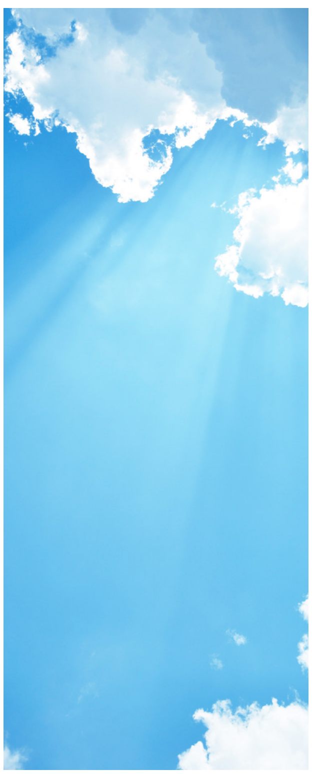

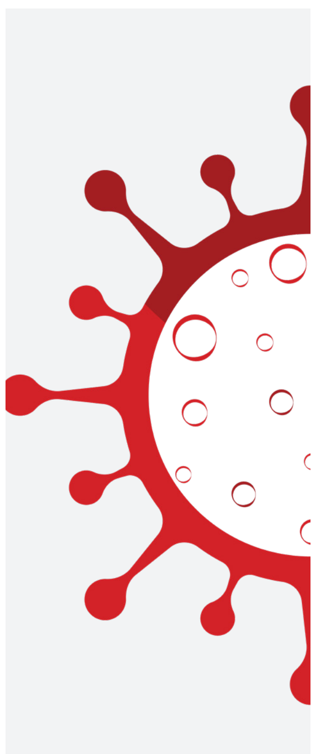

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Become a **Certified Divorce Financial Analyst®** Professional

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"Ironically, the more popular financial planning continues to become, the harder it is to succeed as a financial advisor… precisely because 'everyone' is now providing comprehensive financial advice to their clients! As a result, the future of differentiation as a financial advisor is all about going beyond 'just' giving financial advice to clients, and being the BEST at advice for a particular type of specialized clientele. And for advisors who want to specialize in the domain of divorce planning and working with divorcees, there's no better organization than IDFA and their CDFA® designation, to teach advisors how to succeed (and effectively differentiate) with this unique and valuable type of clientele!"

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6 Ways the Coronavirus Can Infect Your Divorce

And Simple Steps to Protect Yourself

By Heather Locus, CPA, CFP®, CDFA®

It seems the ripple effect of coronavirus has infected everything, and divorcing individuals are not immune. The most apparent impact is that most, if not all, courthouses are closed except for emergencies. This may delay your divorce, along with applications for temporary support and custody. There are other less obvious issues as well. Here are six areas you need to re-assess when going through a divorce, along with actions to prepare and protect yourself.

1 The Divorce Itself

Your divorce is a lawsuit, and that means it's dependent on proper and timely functioning of the court system to become final. Court systems across the country are responding in multiple ways to balance handling the pandemic with ensuring the health and safety of all the people they touch—employees, litigants and attorneys.

These new realities affect:

- How motions and petitions get filed
- Hearings and trials, and anticipated delays in dates
- How and when you can obtain a prove-up to finalize your divorce

Some courts have already implemented impressive ways to conduct proceedings by utilizing technology to allow documents to be e-filed and divorcing individuals the opportunity to attend court via video conference with the judge. While less technologically advanced courts and more complex situations such as contested hearings still need innovative solutions, it hopefully is only a matter of time before they are rolled out.

Alternative Dispute Resolution (ADR) is a potential solution to courthouse closures and the unavoidable backlog that is certain to follow once the courthouses reopen. You can move forward with your divorce by utilizing video conferencing to safely mediate or arbitrate temporary issues that may arise such as discovery compliance, temporary support and parenting. You even have the ability to share documents and form breakout rooms for confidential communication with your counsel and a mediator.

Finalize your entire case by reaching a global agreement in attorney assisted mediation or by obtaining a private judge or arbitration ruling that can be incorporated into an Agreed order or final Judgment for Dissolution of Marriage.

The Collaborative Law Process is another ADR solution that does not rely on the court system at all until a fully executed agreement is reached with the help of a team of professionals who specialize in law, mental health, children's issues and financial issues. This process is fully confidential and helps preserve the party's relationship so that they can co-parent well at the end of the process.

> ***What You Can Do:***
> Consult your attorney about how the rules affecting your jurisdiction impact your case and fees, whether your timeline has changed significantly, and what delays might mean for your post-divorce life. If you are not already using ADR, consider whether it may be a more effective process for your family's unique issues. Use this extra time to be thoughtful and organized to minimize professional fees.

2 | Your Finances

A significant part of your divorce hinges on dividing assets, a lot of which may be tied up in retirement and investment accounts or business interests. If you are further in debt because of this crisis, you are going to have to negotiate how those debts get allocated and paid.

> Virtually every individual worldwide who has any money invested **has seen their accounts shrink significantly** from what they were worth at the market high around Valentine's Day.

What's more, the ongoing uncertainty means that values may continue to see-saw for a significant amount of time, making it impossible to predict exactly what anyone will end up having. Negotiating your financial settlement during this turmoil will get tougher. While markets have historically bounced back from deep declines, it's always prudent to brace yourself for a significant period of low prices.

> ***What You Can Do:*** Enlist the aid of experts to help you create the best possible settlement for yourself regardless of the outcome of the uncertainty. Look for rebalancing and tax planning opportunities. While stocks and mutual funds are down, you can sell them and immediately reinvest in a similar, but not identical, fund so that when the market recovers your portfolio will as well but you will owe less to Uncle Sam.
>
> Make sure you have enough cash for an extended downturn and check your credit report. If you

are fortunate enough to receive a bonus or distribution, consider using extra cash to invest during this buying opportunity. While it's hard to make decisions with your spouse during this time, focus on maximizing how much you will each walk away with. Investigate the benefits afforded by the CARES Act which allows for loans for small businesses, penalty free withdrawals from retirement accounts, and other benefits that will soften the blow from the crisis.

3 Your Job and Paying the Bills

You're likely seeing the headlines about the flood of layoffs and the inevitable recession across the globe. While it's impossible to forecast just how long and deep the recession will be, every recession ends up with lost jobs, less money for many who are employed, and the risk of additional future layoffs.

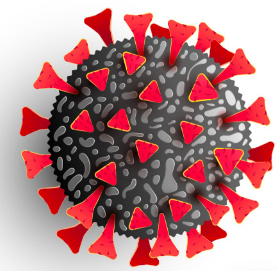
A spouse losing their job or experiencing a dramatic change to their income in the middle of a divorce will change temporary support payments and complicate negotiations. Likewise, if an individual's post-divorce plan to obtain financial security included re-entering the work force, they face increasing challenges as the job market absorbs the shock of a rapidly slowing economy. Questions surrounding unforeseen issues like access to health insurance or short-term cash flow to pay bills may suddenly be critically important.

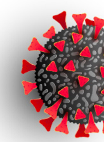
While the government has provided relief for taxpayers, it cannot do the same for individuals who pay or receive spousal and child support. In addition, it's unclear how these new government benefits and cash payments for those who qualify should be allocated and how they affect child related financial obligations. If you or your spouse's income has significantly changed, consult your attorney about whether to file something with the court. Installments of spousal and child support cannot be modified once their payment due date arrives.

What You Can Do: Work together to maximize your family's combined household income. You both will be better off the more money you have to split. If possible, brainstorm with your spouse on ideas and do your best to minimize your legal fees. Use this time to create an impressive resume, brush up on skills like Microsoft Excel, or take online classes.

4 Your Plans for the House

Are you planning to sell your house as part of the divorce? For many people, selling or buying a house is the largest single financial transaction of their entire lives.





Deciding to keep the house or sell it is a complex decision even in the best of times. In addition to factoring the emotional ties and social implications of a potential move, you have to balance the monthly cost to keep up the house, pay utilities, and maintain its upkeep along with the tax issues and costs to sell it and relocate.

The pandemic just added a huge wrinkle to those calculations. With the housing market in a temporary freeze, it is much harder to predict what the near and long-term impacts will be on home prices after the crisis passes.

Consult with experienced Realtors® in your area .
Be prepared to rethink your entire decision
if that's what will make the most sense in the new reality.

And while record-low mortgage rates may entice some buyers, be prepared for the house to take longer to sell.

What You Can Do: If you decide to keep the house, work with your spouse, attorneys and a Certified Divorce Lending Professional to see if you can refinance at a lower rate. Many lenders will not refinance during a divorce. If you decide to sell, brainstorm creative ideas with your Realtor® for virtual tours and how to keep you, your Realtor® and potential buyers safe for in person showings. Invest in upgrading photos and staging your house to display optimal lighting along with blue skies, fire in fireplaces, and any other details that showcase your house at its best. Consider using a video to win the online beauty contest. Schedule open houses for people to subscribe to online and "join" virtually. Make arrangements to FaceTime buyers to remotely walk through the house and answer questions.

If your state considers agents "essential" service providers and allows showings, provide disinfecting wipes, rubber gloves, etc., and ask agents and buyers if they are sick; deny access if they are.

5 | Your Kids

You're probably already dealing with kids being home 24/7, regardless of their age, and braving the new world of "e-learning". The lack of school and activities have multiple ripple effects on parenting time and transitions. If you have an established co-parenting arrangement, it's likely you're grappling with these unforeseen changes upending your schedules and routines that may have taken you weeks if not months to craft.

Most jurisdictions have ordered that the parties' regular parenting time schedule shall continue, and possession and access of the children shall not be affected by school closures from the pandemic. They allow the parents to alter the schedule by agreement and are strongly encouraged to act in the best interest of the children and are admonished from any actions that would impact the physical health of any children including unnecessary travel. The American Academy of Matrimonial Lawyers (AAML) and Association of Family and Conciliation Courts (AFCC) have published helpful guidelines to be healthy, mindful, compliant, creative, transparent, generous and understanding while co-parenting during COVID-19 pandemic.

It's more critical than ever to work together with your spouse to create the best path for your children's present and future wellbeing. While you will eventually no longer be a spouse, you will always be a co-parent and doing what's in your children's best interest is ultimately in your best interest. No matter how comprehensive your parenting schedule is you will have many future changes in your kids' schedule as they mature, attend different schools and participate in different activities. Try to work things out on your own and avoid the legal fees. If your spouse won't cooperate, get clarification from your attorneys on how new regulations impact your arrangement.

What You Can Do: Be intentional about what memories you want to create for your kids. This will likely be the time they remember most about your family before it officially became two households. Put your kids and your own well-being at a higher priority than expressing your stress and anger to your spouse. If you have enough cash and a reasonable spouse, talk to them about leveraging this bad market as an opportunity to invest more for your kids' college in a 529 account.

Control What You Can and Prepare for the Rest

On the list of things that can upend the best laid plans, the coronavirus must rank at the very top. While divorce adds an additional layer of complexity, keep in mind that many of the physical and financial stressors of today's coronavirus world would be there even if you were staying as a couple.

While many aspects of life are currently at a standstill, your divorce doesn't have to be. Consider these steps to increase your sense of stability and control:

1. Understand the impact of the virus on your divorce timeline, and on your divorce bill
2. Reassess how much your financial settlement is likely to be affected and plan accordingly
3. Realize recent settlement proposals will likely need to be re-negotiated and discuss with your lawyer whether ADR is applicable for your case
4. Start updating your financial documents
5. Expect that home appraisals and business valuations will likely need to be revalued
6. Consider how you'll pay for your living expenses during and after divorce
7. Rethink your plan and timeline to sell your house
8. Revisit your co-parenting arrangements to maximize stability and security for your kids and yourself
9. Maximize steps to protect the health and safety of yourself, your children and those whose lives you touch
10. Breathe. Show patience and grace with your kids, your spouse, others, and most of all, with yourself

6 | Your Family's Safety and Health

Are you and your spouse on the same page regarding social distancing and staying home? Now that you're no longer a single entity, it's very important that you don't make these decisions in a vacuum.

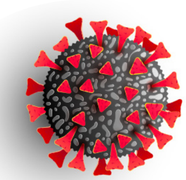
If your children are splitting time between two homes and become contagious, everyone in both households could be exposed.

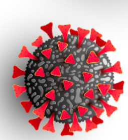
You'll have to have an open line of communication so you're consistent and acting in everyone's best interests. Showing respect and being open to all possibilities will set the right foundation for your future co-parenting relationship. While it's common to have separate rules for each parent's house on some issues, safety during the pandemic is key.

What You Can Do: It may be as hard to contain your frustration and sadness if you are quarantined in one house as it is to contain the virus. Make sure you get some physical activity every day. Use a punching bag or punch a pillow to process the anger and resentment or go for a long walk to clear your head. Create fun ways to interact with your children—even teenagers and 20-somethings—by having a pillow fight or a race. Do spring cleaning around the yard or plant a garden. Use this time to create a new healthy habit of self-care.

HEATHER LOCUS
CPA, CFP®, CDFA®

Heather is Owner, Wealth Manager & Divorce Practice Group Leader at Balasa Dinverno Foltz LLC, solving problems by balancing the emotional and behavioral components of financial decisions with the tax and legal issues. She has been recognized as a "Best-In-State Wealth Advisor" by *Forbes*; a "Top 200 Top Wealth Adviser Mom" by *Working Mother* as well as a "Five Star Wealth Manager" by *Chicago Magazine.* She also recently published her cornerstone book: *The Next Chapter—A Practical Roadmap for Successfully Navigating Through, and Beyond, Divorce.*





CDFA® Professionals and Counselors

A Match Made in Heaven

By Eileen Stoner, CRPC®, CDFA®

As a female partner in a successful financial practice for 20+ years, I understood the right process to "go to market" for our traditional asset management and financial advisory practice. But as a newly-minted CDFA® professional, I was uncertain about how to do the same in my enhanced role.

Like most CDFA professionals, my first thought was to seek out family lawyers. You know the drill. Call the office, try to get through the gatekeeper and set an appointment for an introductory meeting. I've met lots of great family lawyers this way, but I have found that they are less eager to meet me, than I them.

So along with family lawyers, I would encourage you to reach out to attorneys with wide-ranging specialties as you develop your COI (centers of influence) outreach strategy. After I've met with an attorney, I'll input details of the visit in my CRM software. Typically, I include all contact information, what the physical office was like, how accessible the location was, as well as things like parking convenience and how the staff came across (the vibe). These intangibles can be hard to recall later if you are meeting with multiple lawyers. I also include a note regarding what types of clients might be a good fit based upon the age, experience, personality and pricing options of the practice. Taking advantage of the power of the CRM software, I create a series of touchpoints or dated activities for the future so I can keep in contact with the attorney.

For a contact, I might email/snail mail items like articles or white papers of interest. Once a quarter I might invite them to an educational presentation or a continuing legal education (CLE) session. Other times I might invite them to be my guest at an outside event that I am planning to attend. I've also had success with inviting family lawyers to present on various panel discussions I've scheduled. Who doesn't appreciate the opportunity to speak as part of an expert panel?

Wait, you probably thought this was going to be an article about counselors. Well it is, read on. As much as we all need to network with local family lawyers, some still don't understand our role or how we might add value.

> **I believe we as CDFA professionals still need to help both the public and the professional community to become more aware of who a CDFA professional is and how we can help clients navigate the financial landmines and decisions of divorce in a more informed, empowered and successful way.**

So, keep sharing your story with local lawyers, but set that process up with the aid of technology so that this element of your outreach will not bog down your schedule. To this end, I suggest you try to connect on LinkedIn or Facebook and take advantage of automation tools such has Hootsuite for posting worthwhile content. Once that process is in place, you're going to want to use your time more productively by focusing on local counselors.

WHY COUNSELORS?

1) Counselors are generally in the loop with someone in a troubled marriage much sooner than a lawyer ever is.

2) The counseling profession offers a diverse educational pathway with a range of licensing, certification and credentialing options. In most cases, this means there is an abundance of local counselors in your community right now.

3) Counselors tend to begin their careers in a group setting, but as they become established, these skillful professionals can go solo with their own practices. New small business owners oftentimes are eager to meet other business professionals—and sometimes to partner with them in joint marketing projects.

4) Counselors don't charge $350 an hour, so they are more willing than lawyers to meet with you over a cup of coffee. For free.

5) Counselors are generally really nice people. Trust me on this one. Counselors have great communication skills, can easily establish rapport and are a perfect professional complement for financial folks who deal in cold hard numbers and facts.

Did I make my case? I hope so. Ninety percent of my referrals for divorce work come from counselors. And the door swings both ways. We CDFA professionals can benefit, and the counselors are also usually grateful to know financial professionals who are good at what they do.

Who should you look for? Here is the low down on the fruit salad credentials a counselor may have after his or her name. State licensure is permission from a particular state government that allows an individual to hold themselves out to the public as a licensed counselor. Some states have a single license while others have a two-tiered system—and licensure titles can also differ from state to state as a result of different laws. The most common titles are:

- Licensed Professional Counselor, LPC
- Licensed Mental Health Counselor, LMHC
- Licensed Clinical Professional Counselor, LCPC
- Licensed Professional Clinical Counselor, LPCC[1]

Other designations I find in my searches include Licensed Clinical Social Worker, LCSW and Licensed Marriage and Family Therapist, LMFT. I frequently collaborate with LMFTs as I encourage them to speak at a monthly women's divorce workshop I lead. LMFTs are a great fit for a CDFA professional, but don't limit yourself to just this subset of practitioners or you might not find a large enough target market for your COI campaign.

Next, where do you look for counselors in your area? To start, check out the National Board for Certified Counselors at www.NBCC.org, where you'll discover a 'Counselor Find' option. This is a good jumping off point, but I prefer the Psychology Today online site. On Psychology Today you can search for counselors by ZIP code and get lots of hits. Not all the contact information is perfect, but if a counselor has a website there will be a handy link, and you can usually email the counselor directly from the Psychology Today site.

As I find names, specialty practice details and contact information for counselors, I'll input it all in my database and start calling them. In a solo practice, you'll usually get a voicemail inbox where you can leave a message. If you are calling a group, you might get a gatekeeper like at the attorney's office, BUT the triage staff at a counseling practice is accustomed to handling calls from all sorts of people who need all sorts of different things—which is good. Tell the gatekeeper your story: who you are, where you work locally, that you serve clients who are dealing with divorce and that you'd like to speak with counselor XYZ to understand if he or she could assist your clients who might benefit from counseling help. Seriously, say those words exactly.

I always arrange to visit the counselor at his or her office. If we hit it off, I'll sometimes invite them back to my office for a follow-up so they can get a feel for what it might be like for one of their clients to visit me. But always go to them first. You are there to do the same fact-finding like at the family lawyer's office, and most especially to establish a new face-to-face relationship with this valuable center of influence. I bring a few business cards, a flyer, a copy of a topical article I've written recently and a Dream Divorce Resources branded folder for keeping everything neat. I also bring a small gift bag with a few tiny promotional items (keychain flashlight, thumb drive or pen-sized hand sanitizer) that are each also branded and have my business card attached. The idea here is that the counselor will keep one of the promo items for him- or herself and then share the others with their clients as appropriate.

While I'm there I'll ask about their ideal client type, their hours, any insurance accepted as well as self-pay pricing for patients who may not have mental health counseling insurance coverage. The particulars all go in my database and it is incredibly helpful months later for triggering a memory that helps me make good referrals to my clients who are interested in counseling help.

> **The database: it is mission critical.** Set an activity series of process-driven steps you'll use to communicate with the counselors on an ongoing basis.

This intentionality on your part will allow you to develop content and outreach steps that act as a campaign funnel as opposed to random messaging. The process will help you build credibility and to achieve a top-of-mind position with local counselors. You want to stay top-of-mind because counselors have conversations about money issues with their clients all the time. As financial professionals, we all understand that money can be a hot-button topic for many people, divorce or not. I get referrals from counselors—mostly divorce-related—but I also get introduced to women who

may want to understand more about financial matters and women who are widowed.

I'll seek to connect with the counselor and their practice on social media like Facebook, and I'll ask them to like and follow my professional page. I'll reciprocate and like/follow their pages. My Facebook page is where I like to share simple financial tips and also bring up topics that aren't too heavy in the divorce space. Consider also sending a connection request through LinkedIn and use a marketing tool so you can schedule informational posts for your LinkedIn connections. Just like with attorneys, my database will remind me to reach out to the counselors with content that might help them and will help me keep the lines of communication open. Some counselors are willing to display your card or small brochures in the lunch room or waiting room of their practices. Either is great and I usually supply a clear plastic stand for that purpose. Once they have the stand in place, you've got a good reason to stop by from time to time to say hello, bring chocolates and refill the cards.

If you are part of a local networking group or a member of a Chamber, help pitch an opportunity for the counselor to do a short presentation at an upcoming meeting. Chambers and networking groups are usually open to this idea. Can't we all benefit from hearing a few words about how to manage our stress or how to deal with difficult people? Make this speaking opportunity happen for a counselor, and they won't forget you.

Be creative. Counselors are valuable centers of influence. Start today. CDFA professionals and counselors truly are a match made in heaven!

[1] www.NBCC.com National Board for Certified Counselors, Inc. 2020

EILEEN STONER
CRPC®, CDFA®

Eileen is Senior Vice President—Wealth Management at The Stoner Group in Huntersville, North Carolina. Eileen has been serving client families for over 20 years. As a Chartered Retirement Planning Counselor (CRPC®), Eileen focuses on helping clients build secure retirement strategies. Eileen is also a CDFA® professional, helping clients think through the real cost of divorce and develop a realistic picture of their financial situation as they transition to a new lifestyle.

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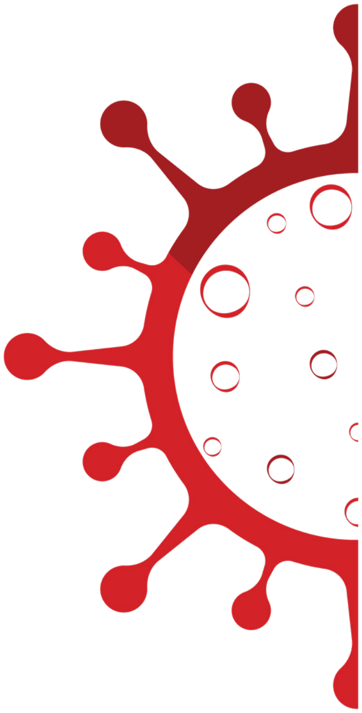

CORONAVIRUS, THE CARES ACT AND DIVORCING CLIENTS

A Call to Action for Divorce Professionals

By Jacki Roessler, CDFA®

Are divorcing couples more susceptible to becoming sick with a virus than the rest of us?

According to the Holmes and Rahe Stress Scale, a research study that measured the correlation between stressful life events and future illness, **divorce is second only to the death of a spouse as a predictor of future health problems.**[1]

Viewed through the lens of our current social, health and economic environment, this insight resonates particularly strong. As I write this in early April 2020, family courts around the country remain closed (other than for essential emergency matters). However, there are several timely divorce-related issues that can't afford to wait. There are also some unique planning opportunities offered through the newly passed Coronavirus Aid, Relief, and Economic Security (CARES) Act that may be appealing to divorce clients.

FIRST THINGS FIRST: CASH FLOW NEEDS

One of the most important (and revealing) questions to ask clients right now is, "How are you managing with your cash flow?" For those who are dependent on temporary support to pay their bills, this is a good time to discuss cash flow priorities and make sure there haven't been any changes to the status quo. For some, that may mean redirecting outflows to expenses that take the highest priority such as food, mortgage payments and utilities.

During a recent virtual meeting I had with a client and her attorney, my client Anne revealed she was feeling panicked about her dwindling cash reserves. Concerned about her mounting legal fees, she had been using her temporary support to make payments to her lawyer. Anne's attorney let her know their firm was suspending the accrual of interest charges on outstanding legal fees during the current crisis. She also directed her to pay legal fees from a joint marital account and use her income for her family's living expenses. Anne left the meeting visibly more relaxed than when she joined.

Now is not a good time for clients to add to their credit card balances. **Discretionary spending for most clients should be reduced or eliminated if at all possible** during this time of economic uncertainty.

For clients who are concerned about low liquidity in their estate, they may want to discuss liquidating securities or mutual funds in post-tax brokerage accounts to free up cash. Although it's never the best idea to sell into a down market, in certain cases, it may be necessary. Clients should be advised to consult with their financial and/or tax advisor to determine the most tax-advantageous way to liquidate securities while taking their overall long-term investment strategy and financial goals into consideration.

Other clients may not have any brokerage accounts to liquidate despite their concerns about short-term cash needs. In fact, for the vast majority of my current open divorce cases, the parties have the bulk of their assets tied up in retirement accounts and real estate equity—neither of which can be easily accessible for cash needs. There are two provisions of the newly passed CARES Act that may help clients who are looking for creative ways to free up cash.

CARES ACT CHANGES TO 401(k) LOAN RULES

Prior to the passage of the CARES Act in March 2020, federal law provided a means for employees to access the money in their retirement accounts for short-term personal loans. Qualified plan sponsors could allow employees to borrow up to $50,000 or 50 percent of their total account value (whichever was less). The benefit of a 401(k) loan is that it can be quickly and easily accessed, there aren't long approval delays and the borrower pays the money back to him- or herself. Loans aren't treated as taxable distributions, and the employee immediately starts to pay the loan back through (after-tax) payroll deductions.

The CARES Act expanded the existing program by increasing the loan limit to $100,000 or 100 percent of the account balance (whichever is less).

This may be a valuable tool for divorcing clients to access money during the divorce, as long as both parties understand the money must be repaid. This opportunity is time-sensitive, as the increased limit is only available through September 22, 2020.

There are other pitfalls to parties taking out loans that attorneys and financial professionals should discuss with their clients. Let's suppose, for example, Jane and Jack are in the process of divorce. Jack is feeling anxious about his job, as his employer is considering potential layoffs. Without conferring with his attorney, Jack initiates a loan of 100 percent of his 401(k) balance to pay his temporary spousal and child support to Jane. Jane's signature isn't required for the loan, and he takes it without her knowledge or agreement. Will this loan be considered a dissipation of the marital estate, a separate debt of Jack's alone or will it be viewed as a legitimate marital debt the parties will share? It's certainly something he needs to discuss with his attorney before he takes any action.

Even if the parties come to an agreement that a 401(k) loan is a good idea for both of them in the short term, Jack needs to understand the potential risks. If his employer is forced to lay him off, for example, the loan would need to be repaid within the tax year it is withdrawn. If it isn't repaid, it is treated as taxable income, and Jack would also owe an additional 10 percent penalty for early withdrawal since he's under 59 ½ years old.

CORONAVIRUS RETIREMENT DISTRIBUTIONS

The other option the CARES Act provides is a CRD (coronavirus retirement distribution) for those who have the virus, have a spouse or dependent with the virus or those who have experienced financial hardship due to the virus. As of now, it seems that what qualifies as a "financial hardship" will be loosely interpreted and monitored. The maximum withdrawal amount is $100,000 per person and can be from an IRA, 401(k), 403(b) or other qualified retirement annuity as long as the plan sponsor allows it. Additionally, taxes on the withdrawal can be spread out over three years and will not be subject to the 10 percent penalty for early (pre-age 59 ½) withdrawals.

For many divorcing couples, this might provide a planning opportunity to free up liquid assets within the marital estate. It's important to note that in order to qualify, distributions must be made prior to December 31, 2020. Liquid assets may be needed for one or both parties for their cash reserves, to pay legal fees, moving costs or other one-time expenses. They also may be needed to buy out all or a portion of alimony in certain cases.

One important note for couples who will be filing separately in 2020 is that **any distribution will be treated as taxable income** to the person who withdraws the money.

For example, suppose Jack and Jane want to free up $75,000 in cash from their combined retirement accounts. Although they both have retirement accounts in their individual names, they decide it makes sense to take a $75,000 CRD from Jane's IRA. They plan to split the net proceeds between them and they want to minimize taxes. Jane, who plans to file as Head of Household in 2020 and whose sole income will be child support and alimony, will be in a low tax bracket for the next several years. Jack predicts he will be in a high tax bracket. Jane will spread the tax liability on the distribution out over three years, thereby greatly minimizing (possibly even eliminating) the tax liability on the distribution.

Although the tax liability can be spread out over three years, it's still important to note that it's best to leave retirement assets invested in tax-deferred vehicles, if at all possible. Of course, Jane and Jack should also be advised to consult with a qualified tax advisor about their particular situation before taking any distributions.

In stressful times such as these, it's easy to forget that the new world we're living in may provide unique planning opportunities. Now, more than ever, divorcing clients need the professionals they work with to reach out to them with creative ideas, suggestions and reassurance.

[1] **Holmes and Rahe (1967)** used a self-report measure with their Social Readjustment Rating Scale (SRRS), which looked at the events which had occurred in a person's life and rated their impact.

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Jacki is a CDFA® professional who works with The Center for Financial Planning in Southfield, Michigan. She has been a divorce financial planner for over 22 years. Her work with divorcing women, men and couples has been featured in *Kiplinger's Personal Finance*, *Fortune Magazine*, *Bloomberg's Wealth Manager*, *Money Magazine* and *Investment News*.

Divorce in the Time of Corona

From the Front Lines

By Susan Bradley, CFP®, CeFT®

Life transitions don't break for pandemics. People will still win the lottery, inherit money and sell their businesses. And they will decide to get divorced or continue divorce proceedings, to whatever extent possible.

I've been checking in with our Certified Financial Transitionists who specialize in divorce to get their thoughts. The consensus was in line with everything we know about life transitions, stress and crisis. Divorce has its share of moving parts that are affected by this particular moment in history, offering both inconvenience and opportunity as we'll see, but one thing that doesn't change regardless of historical circumstances is that the emotions, thoughts and behaviors of the humans involved are what drives their experience and much of your work as a financial advisor.

On the inconvenient side, there are the realities of courts being closed, court dates being postponed and the technical and procedural part of some of the work slowing or halting. There's also the elimination of face-to-face communication. Is it replaced with Zoom? Just a regular phone call? What are the ramifications of each of those options? How is the relationship with the client affected? How does the quality of the interaction change? And how is information shared? What kind of new communication protocol and technology is involved in working with the other professionals on the case? As for opportunities, the alternatives to remaining on a divorce path for the client are now more open, visible and perhaps easy to consider.

Advisors now have the opportunity to showcase a different side of their capability—their own facility with adapting to change and managing the human experience of divorce clients in the midst of processing two life-changing events.

What I heard when speaking with a few specialists is that the current climate—and as a result what ends up happening when we look back—is all about the personal side of divorce as a life transition. The impact of the pandemic on technical and procedural components of the work are important. Spousal support, child support and asset allocation may all be affected. But even if they're not, there's a different kind of constant: people. As long as there are people involved, there will be expectations, emotions, habits and priorities that continuously drive the work of transitions.

PEOPLE DON'T POSTPONE THEIR EMOTIONS FOR PANDEMICS

If anything, the various new twists and turns deepen the complexity of the inner experience the individuals are having. And when you factor in uncertainty about the timeline of the pandemic, emotions and thoughts are understandably unstable and inconsistent. The whole situation is just so fluid. It takes a professional with solid personal-side skills to be able to manage their own experience of this pandemic in addition to that of their clients, whose internal upheaval might be more layered and challenging. Fortunately, such professionals are out there.

Barbara Shapiro, a Dedham, Massachusetts-based CeFT®, is a genius on the technical side of planning, and can whip up a one-page visual that beautifully translates any technical information so that it is easily understood by anyone. She talked about her technical work being "pretty much in limbo because the world has basically stopped."

I love her insight into the personal side: "In 2008, people stayed together for financial reasons but were able to leave the house, spend time with their new 'partners' and live a somewhat normal life. This crisis is different. This is a health crisis first that has created a financial crisis. People are petrified of getting sick and dying. They need each other, and unless the relationship has completely broken down they may well relearn to like each other and remember why they fell in love. Perhaps I'm naïve, but a health crisis puts things in a different perspective. The majority of people don't want to die and realize they need to cooperate and work together to protect themselves and their children. People will divorce, but in spite of the virus—not because of it."

As different as the pandemic and divorce are from each other, they are both disruptive events, and as such they tend to progress through a pattern of stages.

Life moves from the way it was before, globally and individually, to the new way it will be in the future. And in the middle is a giant tangled mess that largely dictates the outcome. From a balcony perspective, or as some say from the mountaintop, divorce has three major stages: pre-settlement, settlement and post-settlement. The pandemic, similarly, began with the identification and spread of COVID-19, and was followed by quarantine, illness and, for some, death (the giant mess we're in now), and then recovery, the lifting of lockdowns, and the entry into a new normal.

It's helpful to have a sense of where you are in the stages; it can keep the focus on what can be done well right now. Being present in itself is a measure we can all take to lower the anxiety about what is coming next. The best practice is to be as prepared as you can be in the present.

Kristina George of Northstar Financial Planning in Windham, NH, has this amazing four-part, preparation conversation that structures her divorce work. She designed a simple graphic to describe the sequence of preparing for a divorce settlement. As a result, she is able to explain a highly complex and emotional process with only 12 words inside a simple, one-page graphic. Count them yourself.

1. **Define marital assets**
2. **Value**
3. **Divide**
4. **Items of support, spousal, child, health insurance**

The one-pager concept we use in CeFT® training is designed to be complete, easily understood and easily recalled, with the least amount of copy or graphic distraction. Kristina's clients learn her commitment to the four-step sequence on Day One. When they get distracted by something that is not productive or is out of sequence, which is a common challenge in divorce planning, she points to the one-pager and says, "We are here, and in order to get to this next step right here, we need to do X." This habit is integrated into her divorce client engagements.

Kristina talks about the phone ringing nonstop with new divorce clients and looks at all of the closed courts as "incentive for folks to use alternative dispute resolution avenues like mediation or collaborative divorce in order to move forward. This is also an opportune time to really understand the financial impacts (of the markets on your investments, of job loss, etc.) and control of your finances." She adds that the degree of uncertainty is significant right now because even if they have decided that they are definitely moving ahead they can't, procedurally. Meanwhile, emotions don't follow the rules of the court. There's no postponing emotions and advisors need to understand, respect and be able to handle them.

Linda Cao of Silver Oak Wealth Advisors in Los Angeles focuses on women in transition and is very attuned to her clients emotionally. She has noticed that the sheltering-at-home lifestyle, combined with economic hardships triggered by the pandemic, are changing the dynamics between spouses.

"What was not working in the relationship before gets worse, and what's been avoided before surfaces due to the close contact each day. It's a stress-testing like having a new child; it either makes the relationship stronger or breaks it. I suspect there's a pent-up demand for divorces after the crisis. The last Great Recession showed more couples stayed together during the crisis because of the financial constraints, but after recovery, divorce bounced back."

Neither the pandemic nor divorce is linear or fully rational because of the human element involved. The best chance at the best outcome for both is when the experts and the participants, clients and citizens, have the capacity to be actively involved in solving the problems as they arise. We all know stories of people who make agreements during their divorce that they end up regretting for the rest of their lives. A possible silver lining for divorcing clients might be to use the slow pace of quarantine living to find new skills for communicating and to explore options that could not be seen in the blur of pre-pandemic life. The gift within the pandemic quarantine for divorce advisors may be the time to acquire new skills and tools for guiding their clients on the human side of one of life's toughest events.

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Susan is the founder of the Sudden Money® Institute, which began 18 years ago as a community of practice seeking to better serve their financial planning clients by developing process and tools for the personal side of money and for clients going through transitions. For more information, visit www.suddenmoney.com.