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Financial plans and marriage breakdown

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Statistics show that about half of marriages end in divorce. Ed and Liz are ending theirs and are concerned about changes that will have to be made to their financial and estate plans. Some considerations, also in common-law relationships, are:

Life Insurance - The first thing that needs to be done is review beneficiary designations. If there are children, they may be the new beneficiaries. Trustees will be needed if they are minors. This affects both personal plans and group benefits. When one parent is responsible for child support payments, new life insurance may be needed to cover this obligation.

After the sale of their house, Ed and Liz may each buy a new home with their share of the proceeds as the down payment. A new mortgage will need life insurance to cover it.

If either remarries, a complete review of their life insurance needs will be in order. If the various needs and obligations are not adequately provided for, a long and costly legal battle may follow.

Wills - Ed and Liz will each need to make new Wills. Provisions will need to be made for both child custody and support obligations. It is best to have a lawyer prepare the new Wills, asdo-it-yourself Will kits are inadequate and may result in a document that is invalid.

Unless a Will is specifically prepared in anticipation of a marriage, new Wills need to be done again after either remarries. Prior obligations still need to be provided for in the new Will.

Disability Insurance - Both Ed and Liz will no longer be able to rely on each other should either become disabled. Group benefits, if they have them, may not be sufficient to meet their needs. Personal disability insurance may be needed to provide for every day needs and other obligations should illness or injury prevent either from working for a period of time. A complete review and analysis of their disability needs should be done.

Critical Illness Insurance - This insurance provides a lump-sum tax-free benefit if the insured survives a heart attack, cancer, stroke, or other listed serious illness. If either Ed or Liz suffers a critical illness, money should be the least of their worries.

Registered Retirement Savings Plans - If one spouse has more in their RRSP than the other, the divorce settlement may require an equalization of funds. Canada Revenue Agency (CRA) allows tax-free transfers between RRSP plans of one spouse to the other due to a marriage breakdown. RRSP beneficiaries need to be changed as well.

Provision for the tax liabilities on death needs to be considered. Life insurance can be a very economical way to pay the taxman and assure the full value of their RRSPs goes to the beneficiaries.

A relationship breakdown is very disruptive for the whole family. Future disruptions can be minimized by dealing with financial and estate plans today. A little time and a few dollars now can avoid months of delays and thousands in expenses later.

Want help with your financial & estate plans?

Contact our office! **[3]**

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