

# FPA

By Frank "Bud" Ronsse, CFP,

## Financial Planning For Newly Single Parents

After a divorce or the sudden death of a spouse, single parents have the twin challenges of adjusting to a new life and getting their child adjusted to it as well. The third challenge – getting money issues in order – can be a threat to both.

For a newly divorced or newly widowed parent, the right tax, estate and financial planning advice are crucial. A CERTIFIED FINANCIAL PLANNER™ professional can advise any newly single man or woman on the right steps to take in setting up a new financial future that fits them. But there are some general steps the newly single should take:

**Revisit or make an estate plan:** Single parents have to revisit the estate plans they made when they were married or set an estate plan for the first time. A will is essential, but it's also important to make immediate plans for who will raise the children if something happens to the parent. In case of divorce, plans might have been set for the ex-spouse to take full-time custody in case of the other's death, but if a parent has never been married, it's particularly important to select the right custodian for the child and perhaps a separate person who can become custodian of the child's finances to invest properly for their support and their future.

**Make sure all beneficiaries are correct:** If you've separated assets in a divorce or you've just had or adopted a child, it's particularly important to go over

all your holdings to make sure your beneficiary designations are correct to make sure your child or a trust or other investment structure set up in the child's name receives those assets. Don't forget all your insurance policies, your work and individual retirement accounts and any investments you might have recently acquired.

**Make sure ex-spouses are removed from any joint accounts you've been awarded:** You also need to notify each of the three credit bureaus of your divorce so future reports will be based only on your credit reports.

**Adjust your investment focus if necessary:** Becoming a single parent changes your investment picture. For retirement as well as investing you will do for your child's future, get advice on what they'll need for college and what you'll need for retirement as a single person.

**Revisit your career plan:** Unless you are wealthy to begin with, you are probably going to have to either return to the workforce or possibly change jobs to increase your earnings or improve your benefits if you're not receiving any other source of income. If additional career training is necessary to improve your prospects, you may consider going back to school – always tough with a kid at home – and you'll need to strategize how to pay for it. You might also choose to work for an employer with great educational benefits.

**Make sure you get the pension assets you're entitled to:** A Qualified Domestic Relations Order (QDRO) is a settlement statement where a spouse receives pension assets from another in case of a divorce. You need to present a QDRO approved by the court at the time a divorce is finalized to your ex-spouse's plan administrator to make sure agreed-upon assets get transferred to the account you've designated. Get some advice on how to best invest those assets.

**Make sure health insurance is in place:** If you're divorced, it's likely you won't be able to stay on your spouse's plan, so you'll have to locate your own insurance option. But if your ex-spouse's plan is a good one, try and make sure that he or she can keep your child covered until a better option comes along. Again, the need for health insurance may also drive your career decision, so consider it.

**Make sure your life and other insurance is in place:** As a single parent, you'll need to adjust the amount of your life insurance relative to any insurance coverage your ex-spouse has with your children as the beneficiaries. You'll also need to make sure on a regular basis that your ex-spouse has not cancelled that coverage.

**Check in with Social Security:** See if your ex-spouse's work record may entitle you to receive certain benefits.

**An emergency fund becomes even more important:** If you have the option of acquiring six months' of income in a divorce settlement or if you can set aside that amount somehow, it's particularly necessary because you won't have another partner's income to fall back on anymore.

**Editor's Note:** This column is produced by the Financial Planning Association, the membership organization for the financial planning community, and is pro-

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