



## Divorce and Your Finances

Canadian government statistics continually show that roughly half of all marriages end in divorce. If a couple is contemplating moving forward with a divorce, it is important to carefully consider how this event will affect their overall financial situation.

Understanding how a divorce changes financial and estate plans can help reduce legal costs and reduce the complexity of an already-stressful experience. Let us look at some of the key financial issues that should be considered in the event of a divorce.

**Provisions for Wills and Testaments** - If you and your divorcing spouse share a will, each person will need to create their own individual will that reflects their new situation. Child custody, support requirements and other factors will need to be considered. We strongly suggest obtaining proper legal advice when preparing new wills. In the event of remarriage, new wills would need to be prepared again.

**Protection in the Event of Illness or Disability** - Illness insurance and disability insurance become vitally important in the event of divorce, because each member of a dissolved partnership can no longer rely on their former partner in the event of injury, illness, or other types of misfortune. Each partner should consider critical illness insurance and/or disability insurance to protect against unforeseen health issues. These protection measures help reduce financial stresses when battling injury or sickness.

**Reassessment of Life Insurance Policies** - Life insurance policies should be one of the first financial items reviewed in the event of a divorce. Beneficiaries need to be revised and clearly designated, whether they be children of the union or others. If these children are minors, there will need to be the addition of trustees to watch over their estates until they reach a suitable age. If one parent is paying child support, this will need to be accounted for in life insurance policies moving forward.

Things can quickly become even more complicated should one or both divorced spouses remarry following the split. In this case, a total review of any life insurance policies would be necessary to ensure support obligations are adequately covered to help avoid potential costly legal battles at a later date.

**Registered Retirement Savings Plan** - In most divorce cases, one spouse will usually have a larger Registered Retirement Savings Plan than the other party. In this situation, a divorce settlement would need to account for the equitable division of these types of assets. Fortunately, Revenue Canada regulations allow for the tax-free transfer of funds between RRSP plans when a couple divorces.

While a divorce is almost always a frustrating, stressful experience that brings dramatic changes to everyday life, it does not have to bring financial anxiety and confusion as well. Proper financial advice from a qualified expert can help make a divorce far less dramatic and also could save you thousands of dollars along the way.

**Got questions about divorce planning? Give us a call!**

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