

Estate Planning for the Newly Divorced Woman: A Critical Step Toward Your Future

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Divorce is an emotional and often life-changing experience, regardless of whether it is amicable or contentious. For many women, especially those who have been married for years, it can feel like stepping into the unknown. As a newly divorced person, you may find yourself grappling with a whirlwind of financial, emotional, and logistical challenges. One crucial aspect that often gets overlooked during this transitional period is estate planning.

After a divorce, the financial landscape shifts dramatically, necessitating an urgent need to review and potentially restructure your estate plan. Whether you had an estate plan in place during your marriage or are considering one for the first time, having a proper plan is essential to safeguard your assets, protect your children, and secure your future. Suffice it to say estate planning should be a top priority for newly divorced women.

Update Your Will and Trust: Control Over Your Legacy

During your marriage, your Last Will and Testament or Revocable Trust likely reflected decisions made with your former spouse in mind. After a divorce, these documents require a comprehensive overhaul. One immediate change to consider is removing your former spouse as a beneficiary unless there are specific legal obligations, such as alimony or child support, that necessitate their inclusion.

Additionally, if you have children, your prior will may have named guardians for them. In light of your changed family structure, consider appointing different trustees for the funds you intend to leave to your children. While your former spouse retains certain rights as a biological parent, your estate plan allows you to designate who will manage your children's inheritance if something were to happen to you.

Change Beneficiaries on Life Insurance and Retirement Accounts

It is imperative to change the beneficiaries on life insurance policies, retirement accounts (such as IRAs and 401(k)s), and any other accounts where your former spouse is named. Accounts with designated beneficiaries pass directly to the listed beneficiary, bypassing the terms of your Will or Trust. Failing to update this information may result in your former spouse receiving these funds, regardless of your divorce.

Many mistakenly assume that their divorce automatically revokes outdated beneficiary designations; however, this is not always the case. To ensure your assets are allocated to the correct beneficiaries, update these designations immediately. Consult your matrimonial attorney before making changes if your divorce is not yet final, as restrictions may apply.

Revisit Powers of Attorney and Health Care Proxies

An often-overlooked aspect of estate planning post-divorce is updating your powers of attorney (POA) and health care proxies. If your former spouse was named to make financial or medical decisions on your behalf, this designation should be revisited. While some states automatically revoke these fiduciary appointments upon divorce, others do not. Depending on your state, failing to update these documents could allow your former spouse to control your medical decisions and finances during a vulnerable time.

Taking charge of this now is one of the most empowering steps you can take toward your newfound independence. Even if your state automatically revokes a former spouse's right to act as a fiduciary under a POA or a health care proxy, it is imperative that you have a successor to act in your former spouse's stead. As with any fiduciary role, you must appoint someone you trust: whether it is a family member, a close friend, or an adult child, someone should be appointed to handle these responsibilities should you become incapacitated.

Planning for Your Children's Future

Divorce significantly impacts your minor children's future—emotionally, financially, and legally. Although your former spouse retains certain financial and custodial rights, you can use your estate plan to specify your wishes regarding their upbringing and financial care.

Consider establishing a trust for your children to ensure their inheritance is managed responsibly by someone you trust, particularly if you have concerns about your former spouse's financial management. Appoint a trustee who will oversee the disbursements to your children over time, even if your former spouse is their guardian.

Post-divorce is also a good time to reassess your life insurance needs. You may need additional coverage to ensure that your children are well provided for in the event of your passing, especially if you are the primary caregiver or breadwinner post-divorce.

Protect Your Assets and Build a New Financial Legacy

It is well-known that divorce has a disparate financial impact on women versus their spouses. Divorce often leaves the divorced woman in a starkly different financial position than what she had during her marriage. You may now own a home solely in your name, with the bills to match. Proper estate planning and consultation with a trusted financial planner provide you with knowledge and control over how these assets are distributed when the time comes. Proper planning provides a platform for you to rebuild and protect your financial legacy for the future.

If your spouse previously managed the family finances, it is not uncommon to feel uncertain about your financial independence. Even if you were the primary financial manager, your current financial landscape may differ significantly from what it was during your marriage. Working with an estate planning attorney and a trusted financial advisor will help you get organize your finances, understand your current standing, and plan for long-term security.

Moving Forward with Confidence

Divorce marks the end of one chapter while opening the door to new beginnings. Though the process can be overwhelming, estate planning is an essential tool that offers clarity and control. By taking proactive steps now, you can ensure that your assets, loved ones, and legacy are protected as you embark on this new phase of your life.

Partnering with a trusted estate planning attorney will guide you through this process, allowing you to focus on rebuilding your life with confidence. You have the power to shape your future, and estate planning is one of the most empowering steps you can take.