



Divorce: The Importance of Cleaning Up

After a divorce, sitting down with financial professionals may be critical to ensuring that your estate plan benefits the right people.

- Below: [Why the "Dragon Tattoo" author's fortune went to the wrong people](#)

After completing a painful process like a divorce, the last thing most people want to do is sit down with lawyers and financial professionals to review their financial planning. Unfortunately, the need for this type of action after a divorce may be critical. In the case of *Trueblood v. Roberts*, the Nebraska Court of Appeals outlined the consequences of failing to do such post-divorce planning.

Property Settlement Agreement Not Enough

In this case, a husband and wife signed off on how to divide their assets through a property settlement agreement. The divorce was finalized, and each party went their separate ways. The husband did not change his life insurance beneficiary designation, and, when he died, his life insurance company paid the proceeds to his ex-wife.

Here Comes the Lawsuit

The personal representative of the husband's estate filed a lawsuit alleging that the divorce property settlement agreement provided that the husband retain his own life insurance policy. The argument was simple. The agreement referenced the existence of two life insurance policies and stated that both parties would retain their respective policies as the property of each individual.

While the court agreed that the life insurance policy belonged to the ex-husband, it stated that the divorce decree and settlement agreement did not bar the ex-wife from receiving the death benefit as long as she was the named beneficiary of the policy.

Essential Planning Tip

When it comes to beneficiary designations, instructions contained in the will or trust don't carry much weight. The Nebraska court followed a general rule that the divorce does not

affect the beneficiary designation, only the ownership. Reading between the lines, one could easily reach the conclusion that the ex-husband did not want his ex-wife to receive the life insurance. However, the husband failed to change the beneficiary to someone other than his ex-wife, and his wishes could not be accomplished.

Clean-Up

For the newly divorced individual, beneficiary designations aren't the only things that need to be cleaned up. The remaining items range from relatively routine – removing the ex-spouse from credit cards, bank accounts, gym memberships, etc. – to very important, such as controlling where assets will go when someone passes away.

Here's a general (but not exhaustive) list of documents and designations that need to be revised before or after the divorce decree is issued:

- Beneficiary designations for employer retirement plans, IRAs, life insurance policies, annuities and health savings accounts (HSAs)
- Transfer on Death (TOD) investment accounts
- Payable on Death (POD) bank accounts
- Will
- Health care powers of attorney and living wills
- General powers of attorney
- Revocable trusts
- Advanced estate planning structures such as irrevocable trusts

For a more in-depth discussion of how to amend these items, see a DivorceNet article, [“Financial and Estate Clean-Up After Divorce.”](#) (Note: Some suggestions and terminology contained in that article, while useful, may not be aligned with Arizona law. Before acting on any of the article's recommendations, please consult with an Arizona estate planning attorney.)

Author of “The Girl with the Dragon Tattoo” Died with an Invalid Will

Sometimes an estate can unexpectedly grow after death. Solid estate planning documents can prevent legal fights between heirs and make the originator's final wishes crystal-clear to a court of law.



Unless you don't watch TV or use the Internet, you have probably heard of the popular movie and book, “The Girl with the Dragon Tattoo,” written by Swedish investigative journalist Stieg Larsson.

When he died of a heart attack in 2004, at the age of 50, Mr. Larsson left behind three finished crime novels that were published posthumously as the “Millennium” series. Four years after his death, he was the second best-selling author in the world, and by March 2010, his trilogy had sold over 27 million copies in more than 40 different countries.

In 2008, it was announced that Mr. Larsson had written a Will in 1977, leaving his assets, including future publishing royalties, to Sweden's Socialist Party. His personal belongings and writings were to go to his companion of 32 years, Eva Gabrielson, whom he never married.

Unfortunately for Ms. Gabrielson and Swedish socialists, Mr. Larsson's Will was not witnessed, and his \$30 million estate passed to his brother and father instead of to his intended devisees.

| [Full text of article](#)
