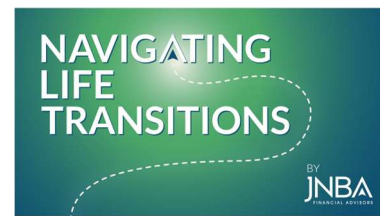


Podcast Transcript: Navigating Divorce



Kim Insley:

Hi, I am Kim Insley. Thank you for joining us today for Navigating Life Transitions, a podcast where we bring together advisors experienced in financial life planning, and they talk about the ways to navigate life's biggest changes, challenges, opportunities, the decisions that we all have to make. From growing a family, to empty nesting, earning job promotions, planning for retirement, it's all here. We discuss these pivotal moments that could benefit from the guidance of financial advisory team can provide to you.

Today, we're going to be talking about navigating divorce. Now this is something that impacts slightly more than 40% of first-time married couples, and then the rate increases for people who are married twice or more. So, divorce is both an emotional and a financial journey and a common one. And while you're emotionally taxed during this process, how do you approach conversations about the financial side of divorce while you are planning for your future?

So, joining me today, Kim Brown, who is President of JNBA Financial Advisors, and they serve clients in Minnesota, Florida, all over the United States, and Jana Aune Deach, a longtime family law practitioner at Moss & Barnett, and they have helped people prepare and navigate for this transition as well. So, I want to thank both of you for coming today. And Jana, I'm going to start with you. People come to you with specific needs. They call you, it's an emotional, maybe they haven't decided about a divorce. So, what is the information that they're looking for and that you're looking for as well?

Jana Aune Deach:

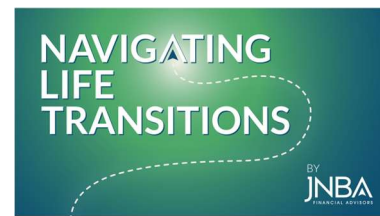
So, when a client first comes to me, often what they're looking for is trying to understand if I move forward with a divorce proceeding, what are my rights? What are my obligations? What can I expect? What does this process look like? So, what I try to do is I break it down into what I like to call the three buckets or the three categories of most issues we have in a divorce proceeding.

The first bucket is what I call the kids bucket, which is talking about custody arrangements, a parenting time schedule. How are we going to parent children if there are still minor children in the home?

The second bucket is support issues. Are there minor children? What would child support obligations look like? What is the financial situation of the family? Is one spouse working, both spouses working? Would there be a spousal maintenance obligation perhaps that one spouse might owe to another spouse? So, we talk through what does that look like, what does that mean? What does the law say on spousal maintenance?

The third category is property issues. And these are a lot of the biggest issues that we can also deal with in terms of what do you have? What do you own? What are your assets? Homes that you might own, retirement accounts, investment accounts, bank accounts, all of the things. And also looking at, does somebody have a non-marital claim? Did somebody come into the marriage with some assets already that we might need to trace? So, we kind of talk through what does that look like and how does that impact what we refer to as the marital estate. Everything combined on what we would refer to as a marital balance sheet or a property settlement schedule.

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Kim Insley:

Super complicated stuff, and you're dealing with emotions as well. And it also comes to mind, and I don't want to over generalize and I think it's changing, but there's usually one spouse who has no interest in the financial part or they've offloaded it to the other spouse. We divide duties all the time. And oftentimes it's a woman who doesn't understand the finances or is not aware of it or is so busy doing everything else, it's like, you pay the bills and take care of it.

So, this is a conversation that you have with your clients as well. I mean, I know you feel really strongly about this too, Kim.

Kim Brown:

Yes, it is. It is true, people are really busy and we have to divide and conquer in life. But one of the areas that we really encourage people now and into the future is not to divide and conquer the finances, in terms of just have an understanding, both of you, about where you're at. Not just in what you have in savings, how much debt you have, what's your budget going to be, what's your retirement plan going to be, those kinds of things. We always say plan the work and work the plan, because that just makes people feel so much more comfortable in life in general. And then when you are faced with a situation, sometimes suddenly that we're getting a divorce, the one spouse that was not engaged in the finances can find that very overwhelming, very surprising, very disappointing, shocking. I had no idea, that sort of thing.

So, I do think it's just good practice for couples to understand their finances and work together with that. When we have client meetings, we really encourage both spouses to join the meeting, at least once a year.

Kim Insley:

Right. So, you're not saying both have to sit there and pay the bills every month, but both should understand it. And we're going to get into that, because I know that you get people come in and you start with these questions and they're like blank stare, deer in the headlights. So, we're going to talk about how you find some of that information. But I also want to acknowledge off the top here that divorce is not this dry situation. There's a lot of emotions, good and bad. You have personally been through a divorce as a financial person, so talk about the emotion of that a little bit.

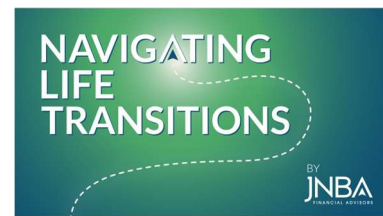
Kim Brown:

Yes. So, for me personally, I was fortunate because it was fairly amicable and a fairly simple administrative process. We hadn't really accumulated a lot of things. And it was, I don't want to say easy, but it was not a difficult thing to do.

Kim Insley:

It wasn't acrimonious.

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Kim Brown:

Exactly. Emotionally, that's different. But I do think that one of the things that's really hard is it's just chaotic. Like what we see when someone comes in and they say, hey, because we always hope that someone will find legal advice and financial advice because those two are going to go as you navigate the process. They both matter a lot. But it's just very chaotic. So our role in the whole process is to just help navigate the transition from start to finish so that you, the person going through the divorce can step back a little bit, have comfort that you have an advocate that will give you guidance and help you make those decisions a step at a time as you can. There are some things that are more important than others, documents, financial and healthcare, powers of attorney, things that you've got to take care of. So that if anything happens while you're going through the process, you know that it's covered, because you definitely don't want to be in this very bad situation and then pass away. And the one person that you don't want to get anything from you gets everything from you.

Kim Insley:

Good point.

Kim Brown:

So those are the things that right from the start, where I think good advice will help you say, okay, we don't have to eat this elephant all at one time. We can eat it in pieces. But we just need to focus here first, do this next. We'll work here with your attorney; we'll help you navigate some of this. This is what we need you to do, sort of make more sense of it.

Kim Insley:

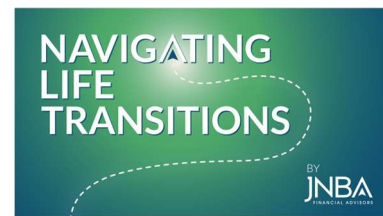
I love how you look at this from a holistic point of view. And the other thing that JNBA is so good at is to take the long view. So, you may have someone who's in the throes of the grief of the loss of this marriage, but you also know that there's another side on the other side of this that you help people to get to as well.

Kim Brown:

Yes. I'm here to tell you that it is absolutely possible to be better off financially and emotionally after divorce. There is a future ahead, sometimes a much better future, a different future. I think the thing about divorce is it's kind of the loss of a dream, but it's also and can be the beginning of another one. That's really where our planning team comes into play. We talk about all kinds of things, like what kind of a community you want to be a part of, what do you want to do with the rest of your life? If you're still working, how long do you want to work?

And there's just so many things that you can sit down and talk about that go beyond money, but that money has to play a part in. And I think that's the really great thing about the really unique planning process that we go through. It's comprehensive, but it's also very heartfelt and emotional and deep in areas that people really value talking about.

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Kim Insley:

And we do play the long game, so we have a podcast on second marriages. And Kim was helpful with that as well.

So, let's get back to the deer in the headlights. That's the person sitting across the desk from you and you're saying, give me your financial picture. And they're saying, where do they start? What are you looking for? How do you reconstruct this if you are not the partner who was managing all of this?

Jana Aune Deach:

So, we have a list of documents that we would like to receive in a divorce case. So, I start talking to the person about, okay, can you get me your last three years of tax returns or last five years of tax returns? Most people file a joint return, so they can either access it at home, or they can get it from their accountant. Can you get me your most recent bank account statements? If you have retirement account statements, investment account statements? I tell them what we need and sometimes they do tell me I don't have access, I can't get that. And we say, okay, don't worry about it. We have a discovery process in the divorce proceeding where we can get that from your spouse.

But what really comes in handy is when they are working with someone like Kim at JNBA to say, hey, can you get us your financial plan from your financial planner? And that is so helpful for us to be able to take a look at least a big picture of the assets, what do they have? How is it held? Is it held in a trust? Is it held in one party's name? Is it held jointly? So, we can start to look at, okay, what are the assets we have here to figure out what else we might need to get in addition to the financial plan or what might be out there.

Kim Brown:

And Jana makes a really good point because not all assets are equal. So, there's consideration about tax consequences of which assets go to which person, so that's kind a big part of that too. And where a financial advisor and the attorney can get in play together to really talk through that so that they're maximizing their financial situation regardless of the fact that they're getting divorced.

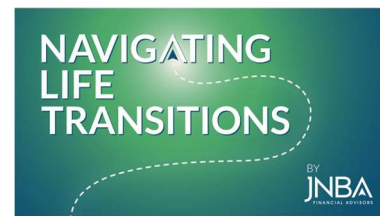
Kim Insley:

If you don't work in that field, you don't know those things. So yeah, good point. I appreciate that. So, there's gathering of the assets, but there's also understanding what your costs are, what your budget is.

Jana Aune Deach:

Absolutely. So, we have a very, very specific template that we give to clients for their budget. And when they see it, their eyes usually get really big. And again, it's okay, not every one of

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these expenses might apply to you, but we have a really exhaustive list just so you don't forget something.

So, we ask them to start looking at, what we ideally like to see is at least two years of what your average expenses look like, maybe three depending on how long the marriage has been. So, we say, all right, sit down with your credit card statements, get your bank account statements, start to look at and start creating categories. There are those fixed costs, like my mortgage is my mortgage every month, my car payment is my car payment every month. Maybe there's some other debt that you have, it's the same payment every month, easy to put into your budget. But how much do I spend on groceries every month? How much do I spend on my clothing? What do I spend on travel?

So, when they look at-

Kim Insley:

Haircuts. These little things you don't think about.

Jana Aune Deach:

It adds up. I have clients who will come in with, well, I wrote out my budget and there's like 15 items. And I'm like, that's great. That's a great start. Okay, take this and now look at this template. And then they're like, oh yeah, I forgot I get my nails done, or I didn't think about that I get massages, or I forgot I get my haircut every six weeks. Or the subscriptions I have, or some of those other things. They're so focused on what's basic. It's my mortgage, it's my car payment, here's my estimated expenses for groceries. It's really limited. And then when they look at the bigger list, they're like, oh yeah, I didn't even think of those things.

So, if we can get a two to three year look of what's the average spending for the family, then we work with them in terms of, okay, so this spouse is no longer going to be part of this budget. How do we carve this spouse out? How do we categorize expenses for children? So, school fees, athletic expenses, they're in lessons, tutoring, whatever it might be. We start carving that out to say, okay, this is in the kids' column for expenses. This is the you column for expenses. And trying to show here's what the person's going to need going forward for their budget to maintain what we call their marital standard of living. This is the lifestyle we've had during our marriage.

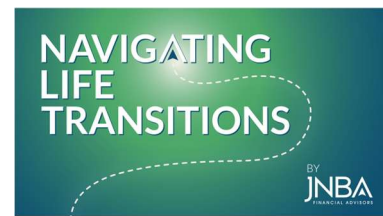
And then here's what is kids' expenses. And then we have to figure out how are those expenses going to be shared? Is one person going to pay all of it? Are we going to do an equal share? Are we going to do some kind of a pro rata division? If someone earns more income, are they going to pay more of that share of those kids' expenses? So, we start working through those budget issues.

One thing to keep in mind is sometimes we see people come in and on paper they've had a really big lifestyle. They've got the big, very nice house. They drive the very expensive vehicles. They take a lot of trips, they have a lot of things. But when we look at how they finance that, it's a lot of debt.

Kim Insley:

Which is more common, with credit card debt going up.

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Jana Aune Deach:

Which is more common. We see sometimes we have longer lists of what's a debt than we do what are the assets. And so, we have to talk to, we have a hard conversation with people about, okay, I know you had a really big lifestyle and this is what you have been spending, but the income coming in doesn't support this and you have actually been deficit spending. And a court isn't going to grant you a budget that is based on deficit spending. They're going to look at the income that's available. If there's a maintenance claim, we're going to apportion it between the parties, and you might have a shortfall.

And so, you really need to take a hard look at what am I spending? What's realistic? How do I take the income that I'm going to receive or going to have between either my working efforts, some spousal maintenance, some child support, or what might be flowing to me? How do I make that work for me? Again, this is where the financial advisor can be incredibly helpful, because they can work with the client to help them take the budget that they've created and make it more realistic to fit with the income or the cash flow that they're actually going to have going forward.

Kim Insley:

I'm glad you brought up the part about debt, because I feel like that's how a lot of people are living these days with inflation and everything else. So, this, as you pointed out, Jana, begins the hard conversations for you and your people here at JNBA, which could include everything from downsizing your lifestyle.

Kim Brown:

Yes.

Kim Insley:

Maybe if you have been a non-working spouse, that you're going to-

Kim Brown:

Have to go back.

Kim Insley:

Non-working, meaning outside of the home.

Kim Brown:

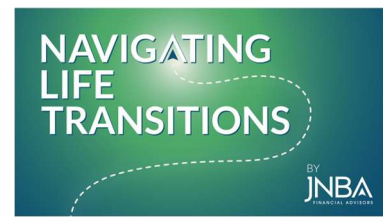
Yes.

Kim Insley:

That you're going to have to go back to a different kind of a job. Walk me through that.

Kim Brown:

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Yes. So that's really the scenario planning part of how we work with clients, if this, then that. We take the amount of money, their budget and help them decide how they're going to scale back, because also cash flow is what they're going to need. You need cash money to live on, so investments then become sometimes secondary. So we have to balance that need for savings for the future, finding the cash flow for today, and what does that lifestyle look like? Those can be tough conversations, but also many people are willing to reconsider what life could be like afterwards. And that's a pretty cool conversation too.

Kim Insley:

Before we get to that, is there also talk in that initial activity that goes on as what's happening during the divorce? Because those expenses continue.

Kim Brown:

That's where Jana comes in. We know what those are, but she's just got to make sure that all that happens.

Kim Insley:

It keeps flowing.

Jana Aune Deach:

Yeah, that there's money that keeps flowing to both parties. But sometimes even during the divorce proceeding, because now, we're taking one pot of money with usually one residence, and now we've got to figure out how to support two residences, because somebody is going to be moving out. At least initially, somebody's going to be moving out of the home usually. So now we've got maybe rent plus the mortgage, plus this person's living expenses. How do you take that same pot of money and now make it stretch with additional costs and expenses that you have? And so yeah, we have to talk about, okay, how are we going to cut back? What's realistic for each party to have on a temporary basis while we work through the dissolution proceeding?

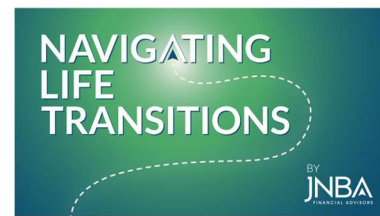
Kim Insley:

And hopefully everybody's an adult and comes to the table with a good heart. People have to eat and have a roof over their heads. So that future conversation, and both of you could address this perhaps, I know for so many people, if there are kids involved, they're like, I want to keep the house. Oftentimes it's the woman, could be the man for whatever reason, but keeping the house may not always be the right financial decision. You see that a lot.

Jana Aune Deach:

I see that a lot. It's a very strong emotional reaction. And it is often the woman in the situation, especially if the kids are still at home, they have minor children, they want stability for the children. This is where my children have been raised, this is the home they know, this is their community. So often initial meetings, it's I really need to be awarded the home. I really need the home.

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Sometimes that's not realistic. So, we have to look at different scenarios of, okay, based on the cashflow and what's available, the mortgage, the other expenses of the home, the upkeep, sometimes the homes are really large, does it need a lot of repair work? How are you going to fund all of this? And is more of your cashflow going to go towards maintaining this home than is really advisable based on the other expenses that you might have?

And this is again, where I love to work with a financial advisor, because I can think of one case specifically where the wife was just, again, it was that emotional tie, really, really wanted to be awarded the home. We said, well, let's look at options. And until you can see it on paper, it's hard to make a decision. You want an informed decision. So, we worked with her financial advisor who created three scenarios, keep the house, keep the house for a short period of time or sell the house. And once the client could see on paper what it meant for her to keep the house and how it impacted her financially everywhere else, it was a pretty easy decision to say, I need to sell the house. Because then she could actually see on paper, this is what my financial life will look like, and one outcome clearly was superior to the others.

Kim Insley:

And so, Kim, I know that you deal with that all the time and you're looking way into the future too.

Kim Brown:

Yes. And this is where I think we talk about the emotional and rational side of going through a divorce. It's highly emotional for the clients, but it's a rational perspective from your outside experts. And that's the value of a team, because you can make rational decisions in a highly emotional state. And that's really valuable. And in that case specifically, taking the emotions out of it, being able to see these scenarios on paper, people can advocate for themselves better to say, oh, okay, I really like this scenario better. I'm going for this. And that's empowering.

Kim Insley:

And I think a lot of times, if their kid's involved, they know the child's life's being blown apart, so they want to keep everything the same. The age of the child matters, but maybe the child doesn't care as much as you think, or if you can bring that rationality to it, maybe you can help the child understand that move as well.

Kim Brown:

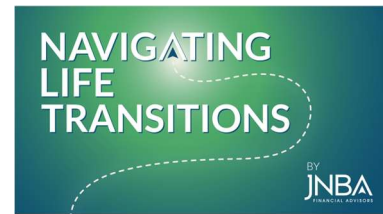
Right. And not always bad for people to learn and understand life is full of tough choices.

Kim Insley:

Yes. For sure. So, there is a conversation about re-envisioning the future that you have with your clients and you're pretty specific about it actually. What does that mean? How do you walk them through that process?

Kim Brown:

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So, it's different for every person, and it really kind of depends on how engaged the client wants to be in that conversation. But your life reimagined is a really interesting and fun conversation, because it's not something through the divorce other than the financial piece that you've really thought about. You're just so getting through it all and what am I going to do? But all of a sudden when you're here and you're settled, then it's like, what does my life 2.0 look like? What does my family's life 2.0 look like?

That's where we really sit down and talk about so many things that go beyond the financial piece of the puzzle and talk about community, activities, things you're passionate about, charities you might like to get involved in. And wherever we can play a role in introducing them or helping them get into a community or a situation, we like to do that. We like to be a part of that piece of our client's life as well, because it's equally as important to us as their financial life.

Kim Insley:

And some day that may include another marriage, and we do have a podcast on it. But I want to very briefly touch, after the divorce is final, do you talk a little bit about what that might look like or things they should be thinking about?

Jana Aune Deach:

So, what we do talk about is, certain cases we might have a conversation with a client to say, in the future, if you should get remarried, please speak with an attorney about a premarital agreement or antenuptial agreement, because maybe there's a lot of assets to protect, there's business interests or there's family interests. Sometimes we have that conversation.

A lot of what we do in our finalization work is helping them with, okay, if you aren't already working with your financial advisor, make sure you're working with the financial advisor so they can help you invest as wisely as possible for your future and work with them on those goals. We help them with transferring title on assets. We help them with some of those, it's the finalization work that we do to get those titles transferred. Or we also talk with them about change your estate planning, get your ducks in a row really with these things where you want to make sure that you've taken this person off as a beneficiary once the divorce is final, make sure you are listing the people that you want to receive your assets in the event something should happen to you.

So, we're kind of that follow up piece, next step. But then often we hand them off to the financial advisor and they're really doing the work of that vision and my goal and what do I want for my life in this next stage.

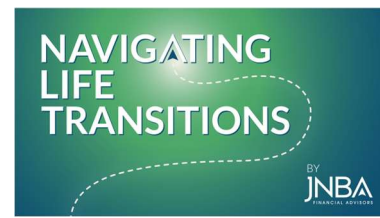
Kim Brown:

And making sure to that point, all your documents are right, that your beneficiaries are correct. And then also just a new understanding and relearning of managing finances.

Kim Insley:

Yes. And it's fun.

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Kim Brown:

It is. I agree with you.

Kim Insley:

I think it's fun. Divorce is not fun. But as we wrap it up, those of you who are listening, it may be something that's entering your life, so how do you find a good fit with a divorce attorney?

Jana Aune Deach:

Most people come to me through referrals. A friend or a family member or a financial advisor knows me and so they come to me. But I always tell clients, it's got to be the right fit. And the attorney can be the most experienced, most knowledgeable, but if you're not feeling like I have good chemistry with you, if you're not feeling like I can just really explain myself to you or feeling like we just aren't gelling, that's okay. Not every person is going to fit with just every attorney. So find somebody that you have confidence in that you feel like they understand my situation.

When I share my concerns or I'm sharing this issue or this problem going on, they're working with you to problem solve and they're finding solutions. Here's option A, here's option B. We could do this or we could do that, and talking through how they would like to approach the issue.

I always tell clients, I'm here to advise you, but you make the decision. You make the decision on accepting a settlement. You make the decision on what kind of proposal you want to make. You're the decision maker. I'm here to guide you, to help you understand what it might look like if you accept this or you offer this, so we can talk through those scenarios. But that person is, it's their life, they get to make the decision. They're empowered to do that. I'm not making the decision for them.

So, it's finding somebody that you just really feel like, yes, I trust this person. We're a good fit. I feel comfortable with them. I like the energy that we have together. And to me, that's the best option going forward.

Kim Insley:

So, it's okay to have an initial conversation and your life's not going to end if that person says, you know, I'm just going to-

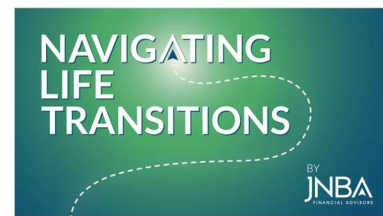
Jana Aune Deach:

Absolutely. And people come to me and they're open, they say, I'm meeting with three or four attorneys. And I say that's a great idea. I think it's a great idea to meet with a few people to really understand who I think I'm the best fit with. And that's great.

Kim Insley:

I love that. Any final thoughts?

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Kim Brown:

No, I would agree with Jana. One of the things, the fit is really important, and I do think a lot of this does happen through referrals through professionals. We have a network of professionals that we work with that are like-minded, that we know will take really good care of our clients, should we refer them? I think it's vice versa in that. So, I do think referrals is a really good place to start when you're going through some kind of a transition that you're unfamiliar with.

Kim Insley:

And any final thoughts just in general for your clients who are going through this?

Kim Brown:

I would just say hang in there. I know it's not easy, but also life is short and everybody deserves to be happy. And that's the thought I'll leave you with.

Kim Insley:

I love that. All right, well thank you Kim. Thank you, Jana. It's been enlightening and thank you for coming here to listen. We hope that you'll listen to all of our other Navigating Life Transitions podcast. And there's a full list that's available online. Just go to JNBA.com, click the insights tab and you'll find a list of the podcasts there. Also, you can help yourself to the free resources on JNBA's website, which is of course JNBA.com.

And then if you have questions about navigating divorce or other life transitions or you want to learn more about how JNBA can help you, all you have to do is give them a call at (952) 844-0995. There's a contact form as well on JNBA.com, and that's where you can schedule a complimentary no-obligation call with their multi-generational team.

And I want to thank you all for tuning in and listening. We appreciate it. I'm Kim Insley and I look forward to navigating more life transitions with you on our next podcast.

Podcast Transcript: Navigating Divorce



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