Weddings Bells…Hope for the Best, Plan for the Worst? The Weaponization of Debt and Assets in Divorce

By Sarah Ruef-Lindquist, JD, CTFA

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Family violence, domestic abuse – those phrases evoke images of bruises, physical scars, broken limbs.

But there is another aspect of abuse, and it has an economic and financial face.

There's been a lot in the news lately about financial abuse of elders, and rightly so.

The vulnerability of our aging population, combined with the ease of attaining access to account information, credit and assets via internet technology can be a dangerous combination in the wrong hands.

Financial abuse happens in domestic and marital situations as well, and often it is difficult, if not impossible, to unravel and restore the economic health of the abused partner once the abuse is discovered.

In addition to exercising control over a spouse's access to money, or damaging their credit, making them financially reliant upon the abusing spouse, a spouse can simply harm the credit or reduce their assets in order to make life miserable for their

spouse before or during a divorce. Sometimes the abuser benefits financially in the process.

Here's a scenario: Prior to communicating plans to seek a divorce, a spouse forges the other spouse's signature on loan documents, and spends the money on travel, dining and entertainment of themselves and others.

The spouse could buy a car on credit and incur debt on jointly held credit cards. That spouse then files for divorce, claiming the other party should be responsible for half (or more) of the debt, from which they did not benefit.

While there are remedies for fraudulent conveyances and other types of misappropriation of assets, often the upheaval and emotionally draining process of divorce can distract from these options and add cost and delay to already complex litigation, and the non-abusing party ends up paying much more – or losing more – than their share.

In her article Financial Intimate Partner Violence: When Assets and Transactions Become Weapons, 22:2 Domestic Violence Report 17 (Dec./Jan. 2017) Hastings College of Law professor Jo Carrillo calls for state law domestic violence prevention reform to ensure that "survivors should not have to fund their own harm, and perpetrators should not benefit from their wrongdoing."

She argues that just because there are no signs of physical or emotional abuse in a marriage doesn't mean there hasn't been financial abuse, which she terms 'economic' or 'financial interpersonal violence'.

She cited a case where one spouse mortgaged jointly held property out from underneath the other by forgery, and spent the proceeds, leaving the marital asset fully encumbered, without any equity.

This is just one example that isn't necessarily the kind of abuse that manifests in a pattern of controlling behavior, like restricting access to credit or money to render the other person

dependent, but rather using credit, assets and money as weapons to harm the other party in the process of dissolution of a marriage.
How can a spouse protect themselves from this kind of situation? One way is to maintain separate financial lives in a marriage.
Each person has his or her own checking account into which their earning are deposited, and then a household account is used to which each contributes in order to pay shared expenses.
Each person has his or her own retirement account by law, but also maintains separate investment accounts, and credit card accounts.
Deposit and investment accounts can be made "payable on death" by one spouse to the other, rather than held jointly, to ease the access of the other upon death if consistent with advice on estate plans, but joint access is not possible during lifetime.
The advantages to this kind of approach are two-fold; never is more than one's share for monthly expenses at risk, but one retains control and knowledge of one's resources and liabilities throughout life, so there are few, if any, surprises when something unexpected happens, like a divorce or death.
If have joint accounts of any kind – deposit, investment or credit – think critically about where you would be if the worst happened: if you were subjected to any level of financial abuse. Consider whether separate financial lives could help the outcome, "just in case" the worst happens.

This article first appeared at PenBayPilot.com

Newsletter for Non-Profits, May 2017

Non-Profit
Navigator
May 2017

We're pleased to share the May 2017 edition of our Non-Profit Navigator. Click here to read it (PDF, new window).
Topics in this edition include Planned Giving and Understanding Employee Benefits Liability.
If you would like to receive this newsletter by email, please contact Sarah Ruef-Lindquist at srueflindquist@allenfg.com.

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5 Tips for Larger and Planned Gifts

From Sarah Ruef-Lindquist

Sarah Ruef-
Lindquist,
JD, CTFA

The following are organizational and operational "standards" that can be appealing to foundations, donors & their advisors.

If you have others you would be willing to share, please email me and let us know what they are.

1. Make your board-adopted Gift Acceptance Policy available online and on paper to professional advisors and their donors.

Professional advisors (attorneys, accountants, financial advisors, trust officers) play an important role in planned giving: They will advise their client about – and often author – the terms of any planned gift to the charity or charities included in an estate plan.
Before they can advise their client or craft the language, they must know the terms of your organizations Gift Acceptance Policy if the gift is restricted, not cash nor readily marketable securities. When your organizations adopts such a policy or approves any substantial amendments, provide that information to the professional advisors with whom your donors may have a relationship; this would include (at a minimum) the estate planning attorneys, financial planners, bank trust officers and accounting professionals in your vicinity. If you need help determining who they are, ask a member of the board of your local planned giving council or estate planning council.

2. Make your duly board-adopted Investment and Spending Policies available online and on paper to Professional Advisors and their donors.

In considering whether to make a planned gift to your organization that would become part of the organization's endowment, a donor and their professional advisor will examine the way in which the organization invests its fund and the board's policy on spending such funds.
An investment policy should reflect the goals of the organization in having the endowment, and the risk tolerance,

benchmarks and performance review mechanisms to be used. Similarly, a spending policy will show a donor just exactly what amount will be available to support the organization on an annual basis in the future, or how that amount will be calculated year-to-year.

3. Don't let your organization's leadership think of endowments as a luxury.

- Endowments are a necessity for sustainability and express the importance of your organization's mission and leadership's commitment to it.
- From a donor's perspective, having an endowment may give them an opportunity to create a legacy that will, with an appropriate spending policy, assure them their gift will support the mission for generations to come.
- It also gives donors a choice for how to make a substantial gift, and who doesn't like choices when making a big decision?
- It communicates that your organization has deliberately contemplated the future and is planning and working towards providing for that future. This conveys the organizations strong sense of its own worth in the landscape of charity and philanthropy, and the paramount importance of its mission.

4. Optimize your organization's presence and appeal on the landscape of charities in your area or mission area of interest.

Consider adopting standards and practices for organizations such as Guiding Principles and Practices for Nonprofit Excellence in Maine published by the Maine Association of Non Profits in 2007 available at www.nonprofitmaine.org, and Standards of Practice for the Model Gift Planner from www.charitablegiftplanners.org,

and similar standards found in the Donor Bill of Rights of the Association of Fundraising Professionals, available at www.afpnet.org, that show all types of donors, including corporations and foundations, that your organization is functioning at an optimal level of accountability.

5. Scan your organization's 501(c)(3) letter and make it available in the development or history area of your web site.

This makes it almost as easy as possible for advisors and donors to know you have the status required for deductibility of gifts for income, estate or gift tax purposes. The letter is generally available on-line at www.guidestar.org, but placing it on your site saves the professional advisor the trouble of going to a second site after yours; they will be well-advised to have a copy for their client file.

April is Financial Literacy Month

By Sarah Ruef-Lindquist

Sarah Ruef-
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Did you know April is National Financial Literacy Month? In

2004, the Senate passed Resolution 316 establishing this, and according to the Financial Awareness Foundation, the goals include:

- Substantially improve financial awareness and financial literacy across all ages, incomes and demographic groups.
- Alert the public why having a current and up-to-date financial and estate plan is an important financial responsibility not only to themselves but to their families, loved ones, and their philanthropy.
- Inform and educate the general public, in an entertaining format, to the essential principles of smart personal financial management.
- Motivate the public to take action to get and keep their financial house in order with up-to-date estate and financial plans.
- Guide the public in finding the right professionals to cost effectively help establish and keep their financial and estate plans up-to-date.
- Help educate financial service and nonprofit professionals and their organizations to better serve their clients, the general public, and potential donors.

The Foundation also points out societal benefits to a higher degree of financial literacy:

- Families benefit by learning the essential principles of smart personal financial management so they can make better informed every day financial decisions, and have the best opportunities to reach

and maintain their personal financial freedom, security and advance their personal philanthropy.

- Employers benefit from having employees who are less stressed, happier and more productive.
- Financial institutions and their professionals benefit by acquiring new business from more informed and motivated clients.
- Nonprofits benefit with increased donations, planned gifts, alternate beneficiary selections and bequests from more informed and motivated donors and volunteers.
- Philanthropists benefits by helping to solve a major social problem that leads to better world.
- Universities benefit by having alumni, faculty and staff who are less stressed, happier and more productive and more philanthropic.
- The news media benefits by providing its audience with timely valuable information.
- Municipalities benefit by having happier and financially successful constituents, and a reduced strain on social welfare services.
- Everyone actually benefits with a stronger and financially sound economy

The articles we post here –about saving and planning for retirement, and estate planning – are meant to support and even increase reader financial literacy throughout the year. Let me know if there are topics related to financial planning that you'd like to see addressed. Please email me at srueflindquist@allenfg.com.

To learn more about the Financial Awareness Foundation, visit www.thefinancialawarenessfoundation.org.

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Budget AND save for retirement without making yourself crazy?

By Sarah Ruef-Lindquist

Sarah Ruef-Lindquist, JD, CTFA

The 60% Solution is a way to budget without having to account for every penny spent. After all, the goal of budgeting is simply to control overspending and prevent unnecessary debt.
The 60% Solution aims to keep your **committed expenses** at or below 60 percent of gross income, to help you come out ahead at the end of the month. Although your number might be a bit higher or lower, 60 percent is a feasible goal and a good place to start.
Gross monthly income (or income before taxes) $_______ __
60 percent of gross monthly income $_________

Committed expenses can be defined as the following:

- Basic food and clothing needs $_________

- Essential household expenses, including mortgage or rent payments $________
- Insurance premiums $________
- Charitable contributions $________
- All bills, even nonessentials such as cable TV and Internet service $________
- All of your taxes $________

Total: $________

Do the six items above equal 60 percent of your gross monthly income? If not, see what can give.

The remaining 40 percent of gross income is divided into four chunks of 10 percent each, listed here in order of priority:

- **Retirement savings.** Contributions to qualified retirement plans (e.g., 401(k)s, IRAs)

10 percent of gross monthly income $________

- **Long-term savings.** Not technically a retirement account because you have access to the money should you need it. (Brokerage account and even your emergency fund; alternatively, a portion of this could be education savings, such as a 529 plan.).

10 percent of gross monthly income $________

- **Short-term savings for irregular expenses.** Money for vacations, repairs, new appliances, holiday gifts, and other irregular but more or less predictable expenses.

10 percent of gross monthly income $________

- **Fun money.** You can spend this on anything you want during the month.

10 percent of gross monthly income $________

Using this method, you more or less trick yourself into saving without having to count pennies every month. The savings can build up quickly, and so can your budgeting confidence!
This article was first published at PenBayPilot.com

Discipline + Dollar Cost Averaging = Progress toward Financial Goals

By Sarah Ruef-Lindquist

Sarah Ruef-Lindquist, JD, CTFA

My first post about goal setting might have gotten you thinking about or reinforced your resolve to decide "*when do I want to retire*?" or "*I want to be able to buy or build a house in 10 years, so I need to save for a down payment*". If that is true, then your next thought might have been "Well, how do I go about getting there?" The simplest answer I have for that question is "Discipline; Not a lot necessarily, but some". Technically, it involves dollar cost averaging. Practically speaking, it's just intentional saving. Let's look at an example that applies to most of us: retirement planning.
Say you are 35 years old and your goal is to retire at 65. You are self-employed car mechanic with steady income having built

your business up since high school, pay all your household bills and credit cards on time and tuck money away for emergencies, holidays and a vacation, but you haven't started saving for retirement. You are married, and contributing to social security. If your life expectancy is 85, you have 20 years after retirement at 65 to plan for.

If you are starting at -0- retirement savings now at age 35, you need to start saving 12% ($400 a month, for $4800 a year) in a qualified retirement plan (IRA, SEP IRA, 401(k)) in order to have "sufficient" retirement savings. There are many assumptions about this calculation, like a 2% annual income increase, a low rate of inflation, 90% of your income needed at retirement for living expenses, a 7% rate of return before retirement on those savings invested in the market and 4% after, having shifted assets into more income-producing, reduced-risk securities upon retirement.

But you get the idea: a disciplined approach, putting a predetermined amount into your retirement plan – a 401(k), SIMPLE, SEP or other kind of qualified plan – can help get you where you want to go. One of the reasons is dollar cost averaging, which essentially is the practice of investing an amount over time that tends to allow the investor to average a cost lower than the price of their investments over time. You'd also be taking advantage of the tax-deferral and reinvestment of dividends and income that is possible with qualified retirement plans. But it takes discipline. Not a lot, but enough. Take advantage of an automatic monthly withdrawal from your checking account to your qualified retirement account and revisit it every year as your income, presumably increases, to increase the amount of the monthly transfer, and you will begin on the path to reach your goal. See a financial advisor to help you determine what your retirement plans should include now and as you work toward success in achieving your retirement goals.

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Fail to plan? Plan to Fail.

By Sarah Ruef-Lindquist

Sarah Ruef-Lindquist, JD, CTFA

Fail to plan? Plan to fail. Your family's financial future should not be left to chance. A thorough, thoughtful plan that provides for you and your family as you desire is a gift you give to those close to you and those you will leave behind.

The law lets us say who we want to take care of us and our property through mechanisms like powers of attorney, health care powers of attorney, advance directives and trusts, so we don't burden our families with having to guess or subject ourselves unnecessarily to interference from courts deciding what they may think is in our best interests.

Power of Attorney documents can give another person the ability to transact on our behalf, and if they are "durable" can survive our incapacity. But caution is needed: One granting another power of attorney must be completely sure that the person will always act in your best interests as your agent, and understands your personal preferences in how you want to live and how you want your resources managed. This can avoid a court proceeding to have someone appointed as your conservator, which requires a public proceeding to determine incapacity, which can be humiliating.

Health Care Power of Attorney (HCPOA) documents can give someone

the ability to communicate and decide on your behalf about your medical care when you are no longer in a position to do so. Again, it is very important that the person granted the power acting as your agent understands your personal preferences for medical care, including end-of-life treatment preferences. This can help us avoid guardianship proceedings which, like conservatorship, involve a public proceeding to determine our incapacity.

What is known as a Living Will is a document that instructs health care providers on whether you want life-sustaining treatment in the face of a terminal condition in a persistent vegetative state. It takes the decision out of the hands of a family member or anyone named as an agent in a HCPOA, communicating preferences directly from you to medical providers. It usually says that no heroic measures will be used to prolong your life, but only comfort care will be provided.

Trusts can include provisions for managing our assets and our personal affairs and care, by naming a “trustee” and placing assets into the trust that will then be used for our care, and distributed at death as the trust directs upon death. This usually avoids the public probate process for not only guardianship or conservatorship while we are alive, but the probate at death that distributes estates. People usually have a will that “pours” everything into the trust that the person didn’t place into the trust before their passing.

Beneficiary Designations on life insurance, retirement plans like 401(k) and IRA’s, provide to whom any balance will be paid when you die. Those should be reviewed annually to be sure they still reflect your wishes.

Don’t have a will? Then the state has written one for you, and you probably wouldn’t like what it says! Each state has what is known as an “intestacy statute” (Maine’s is 18-A MRSA Section 2-101, et seq) which provides what will happen with your estate after you die if you did not leave a validly executed will. In

Maine, the intestacy statute first looks at whether you left a surviving spouse, children, parents, grandparents, great grandparents and others, and depending on who survived you, your estate will be divided among them in varying share amounts. These amounts may be quite different from what you would want, so it makes sense to decide what those amounts should be – if any – on your terms. There are limits on the ability to not include a spouse, because of their rights in property. Most charitable gifts through estates need to be specified in a will or trust, so intestacy will not address those.

So take the time to plan, and create certainty around how you will be cared for, your assets managed for you and then distributed as you would want them to be, rather than leaving it all to chance.

This article was first published at PenBayPilot.com

Setting Goals and Meeting Them

By Sarah Ruef-Lindquist

Sarah Ruef-Lindquist, JD, CTFA

How many times have you gone to a restaurant for dinner and just told the server "Give me whatever you want to and I'm sure I'll like it."? Probably never. Why? Because when you go out to eat, you usually want to choose what you like from a menu of items, rather than leave it up to someone else who doesn't know your

likes and dislikes.

Or how many times have you gotten in your car and said “I don’t really care where I end up. I’m just going to drive until I run out of gas.”? Probably never. You wouldn’t think of setting off to hike the Himalayas without studying up on the terrain, culture and maybe even finding a local guide to accompany you, to make it the kind of experience you want it to be.

Planning for your financial future can be similar: If you don’t decide what you want, you might not get anything you would want. In other words, if you haven’t decided on a desired destination, you’ll probably never get to one that’s desirable.

Setting a goal like “I want to be able to retire when I’m 65” is fantastic and powerful. Everything you do with your finances from that point on can have that goal in mind, with strategies designed to achieve it. What kind of strategies? They might include reducing and eliminating all debt, and even having no mortgage by age 65, and contributing regularly to a retirement plan as much as your circumstances will allow.

Speaking of Retirement: relying on social security to provide sufficient support in retirement is not necessarily a sound plan. Especially for women. According to a November 2016 article by Mary Beth Franklin in Investment News, “Why Social Security is Crucial for Women,” in 2013 women’s average annual Social Security benefit was $12,851 for those age 65 and older versus $16,590 for men, and makes up almost half of those women’s retirement income.

Do you have a goal? Take a moment to envision a goal that is important to you, then set about doing what you can to achieve it, with the advice and professional support of your financial advisor.

About the author: Sarah Ruef-Lindquist is a lawyer and former trust officer who works at Allen Insurance and Financial in Camden, Maine, in the areas of endowment building through planned giving, wealth management and estate planning with

special attention to women's planning needs. She holds FINRA Series 7 and 66 registrations, and is a Certified Trust and Financial Advisor.
The Financial Advisors of Allen and Insurance Financial are Registered Investment Advisers and Investment Adviser Representatives with/and offer securities and advisory services through Commonwealth Financial Network, Member FINRA/SIPC, a Registered Investment Adviser. Allen Insurance and Financial, 31 Chestnut Street, Camden, ME 04843. 207-236-8376.
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Health Insurance Outside of Open Enrollment

Open enrollment for individual health insurance coverage ended Jan. 31 and at this time the only way someone can enroll in a health insurance plan is if they've experienced a qualifying life event.
At this time our agency does not participate in enrollments outside of the open enrollment period. We have developed a document with information where to get assistance outside of open enrollment.
Click here for PDF.

Ease Your Way In To The Global Stock Market

Heads up, you know darned well that you have to do something with your money. Something besides enjoying your weekends and getting your hands on the latest electronic gadget. That something, as you have probably already figured out is about getting up close and personal with the world of investments.

Yeah, it may look like a bit of work. It may even not look so appealing with all of those pundits on TV jumping up and down and screaming at the market gyrations. Yet the fact remains that taking care of your personal financial future is your responsibility and yours alone. Unless and until you happen to hit the Big One with the Powerball lottery or some sort of odd windfall, the reality is you need to start putting money away, like right now.

Not under your mattress

> *The only sure thing you can count on is our friends at the Internal Revenue Service (IRS) doing what they do to make sure you pay your fair share.*

Now it goes without saying but better we just go ahead and say it anyway; putting money away does not mean stuffing it under your mattress or throwing your hard earned money at a company stock your pal insists is a “sure thing”. Nope, not so much. The only sure thing you can count on is our friends at the Internal Revenue Service (IRS) doing what they do to make sure you pay

your fair share. The point of all this: strategically putting your money into the market is a recognized way to help fund your retirement.

Fund the 401(k) first

Now that being said, for the purposes of this article this investing stuff is going to only ever be done after you have maximized your 401(k) plan options at work and after you have also set up your very own Individual Retirement Account. In other words, maximize the retirement plans and options you already have first and foremost. Then, its time to dip your toe into what the pro’s refer to as the equities market.

Reality of investment returns

And lest you should be thinking that there are better options out there, well to be blunt, you would be wrong. You see, the truth of the matter is that any investment can show off and have a stellar performance for a short period of time. The bigger and better question is what is the long term return of the investment option you happen to be looking at?

With just a little bit of homework, okay not even that much, you can easily check this out for yourself with a quick Google search.

What you will find is that over the long term, equity investments (think stocks) consistently return an average of 7%. Yes, that includes good years and not so good years. The point is that 7% number is actually pretty high compared to other “so-called” investments such as real estate, gold, or even collector coins.

Ease In Plan

Which brings us to the focus of today's article: how can you ease your way into the market without taking a beating. Taking a beating would mean something like handing over $2,500 to your online broker only to discover that the value of your portfolio (the stocks you bought) has suddenly and without warning plummeted to like $1,374.00. Ouch! No wonder so many would be investors shy away from the market.

Yet, do not lose sight of that 7% long term return number discussed above. So let's see where we are. You understand the need to get into the market. Yet at the same time you are leery of investing your hard earned money and risk losing some or all of your cash. Is there a way out of this quandary? Thankfully there is.

The Answer

The solution is to use a strategy referred to as Dollar Cost Averaging (DCA). Although the term itself may sound esoteric, the strategy is ridiculously easy to understand and put into practice. Essentially dollar cost averaging works by you only ever investing a certain fixed amount on a regular schedule. For example, suppose at the end of every three months, you put $325.00 into the market.

In other words, you are funneling $325.00 per quarter into your investments. But, that is NOT the same as putting in a lump sum at the end of the year. The point is to put in the same amount at a regular interval.

What happens is that when the market prices are high, you end up with fewer shares. That's okay though because the same thing works in reverse. When the market is low, that same amount of money invested will get you more shares. Do you see how easy

this is?

A side benefit of dollar cost averaging that could end up saving you from making a catastrophic decision is your investments are on cruise control. That is, Dollar Cost Averaging takes the emotional highs and lows out of the investing thing. Sadly most investors who aren't up with DCA do the exact opposite of what successful investors do. That is, they buy high (when the market rises) and sell low (usually in a panic when the market drops).

Conclusion

You owe it to your future personal financial situation to get into the market like right now. Knowing and understanding the strategy of Dollar Cost Averaging is an easy way to get started and to keep it going.

Now it's on you. Have you considered something like dollar cost averaging as a way to ease into the market?

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