

# WHEN YOUR CLIENTS DIVORCE

## A GUIDE FOR FINANCIAL PROFESSIONALS

Divorce can be one of life's most emotionally and financially challenging transitions, and the increasing number of "gray divorces" comes with even greater levels of complexities and personal stress.



Starting in 1990, the rate of gray divorces — marital splits among couples over age 50 — has doubled, and researchers estimate it will triple by 2032.<sup>1</sup>

**40 to 50%**

of all marriages  
end in divorce<sup>2</sup>

**60%**

of 2<sup>nd</sup> marriages  
end in divorce<sup>2</sup>

**73%**

of 3<sup>rd</sup> marriages  
end in divorce<sup>2</sup>

For many people, divorce after 50 is devastating financially. *ThinkAdvisor* stated that people who got separated after age 50 should expect a 77% drop in their assets.<sup>3</sup>

As a financial professional, you can help your clients comprehend key money-matters facing them when they are undergoing a divorce. This guide will help inform you of how you can help your Security Benefit client get the documentation they need to provide to attorneys who will guide them regarding asset equalization.

<sup>1</sup> [PsychologyToday.com/us/blog/home-will-never-be-the-same-again/202108/why-the-divorce-rate-older-couples-keeps-rising](https://www.psychologytoday.com/us/blog/home-will-never-be-the-same-again/202108/why-the-divorce-rate-older-couples-keeps-rising)

<sup>2</sup> [Divorce.com/blog/divorce-statistics/](https://www.divorce.com/blog/divorce-statistics/)

<sup>3</sup> [ThinkAdvisor.com/2022/02/01/how-advisors-can-help-wealthy-clients-through-gray-divorce/](https://www.thinkadvisor.com/2022/02/01/how-advisors-can-help-wealthy-clients-through-gray-divorce/)

## Annuities

It is important to immediately review an annuity contract with your client to determine what kind of impact there is to the annuity BEFORE the parties decide to split or fully change ownership, which is a conversation they need to have with their attorneys. Your client will need to know the ups and downs before the attorneys go through drafting a settlement agreement that results in a detriment to the parties. For example, they may determine that equalizing their assets by using other accounts instead of the annuity may be more beneficial rather than losing out on riders or some other benefit if they split or award the annuity. The terms of the annuity contract cannot be overruled by a judge's order, so it's important for the clients, and their attorneys, to review the annuity contract. Any financial impact or ownership change to the annuity must be specifically ordered by the court in order for the current owner to avoid taxes on the transaction.

Should your client own a Security Benefit annuity, they must complete the included *Notification of Divorce and Transfer Request* form. This form is used to confirm ownership of the annuity, facilitate the transfer of assets, or change ownership of an annuity as a result of divorce or legal separation proceedings.

Additional forms may be required, depending on what the court ordered, so please review the Notification Form carefully and contact us for any additional forms your client may need.

If the court orders the current annuity contract to be divided between the client and ex-spouse and the client's contract has a Guaranteed Lifetime Withdrawal Benefit (GLWB) Rider, the ex-spouse cannot add the GLWB Rider to a new Security Benefit contract.

You and your client should review their annuity contract to determine the impact of an ownership change, as a GLWB Rider or GMDB Rider issued on an SBL FIA contract will be terminated after such change.

## 403(b)

If your client's Contract is a 403(b), authorization from the client's employer or its Third-Party Administrator ("TPA") may be required on the Notification Form. It is your client's responsibility to provide their divorce decree documentation to the employer or TPA, along with the completed Notification Form, for signature. Employer or TPA approval can be made in Section 10 of the form. Your client will need to request their employer or TPA to return the authorized form back to them so they can send it to us.

## Beneficiary Designations

Your client's existing beneficiary designation should be reviewed as it may not be valid under applicable state law<sup>1</sup>, or appropriate, after their divorce. Most states' laws automatically, under operation of law, revoke a spousal beneficiary upon divorce. Your client can designate a beneficiary in Section 8 of the Notification Form.

<sup>1</sup> Such state laws are inapplicable if the annuity was issued under a retirement plan subject to ERISA.

## Qualified Domestic Relations Order (QDRO)

When your clients decide to divorce or separate and employment-related retirement accounts are to be divided, their attorneys must prepare a Qualified Domestic Relations Order (QDRO). A QDRO is a domestic relations order that allows a spouse or other “alternate payee” to receive all or a portion of benefits payable with respect to a participant under a retirement plan.

The requirements for QDROs are complex and the QDRO should be prepared by an attorney. A judgment will be issued if the QDRO is approved by the court.

Your client should submit only the Notification of Divorce and Transfer Request form to Security Benefit. They should not send the divorce decree, settlement agreement or QDRO as they will not be reviewed.



### Guiding Clients During this Challenging Time

Navigating client relationships during a divorce requires sensitivity, professionalism, and a commitment to maintaining neutrality. By following these guidelines and strategies, financial professionals can provide invaluable support to clients during a challenging time while retaining their trust and confidence. Remember, your role is to help your client secure their financial future, no matter the path they choose.

Security Benefit cannot advise you with respect to the best method of transferring any value of your client’s Contract to an alternate payee or joint owner or the resulting tax consequences of a transfer. It is strongly recommended that they obtain the advice of an experienced and qualified tax professional and attorney to assist them in this matter.

The laws governing the division of financial assets during a divorce vary state-by-state. Work with your client’s attorneys to ensure the client’s interests are protected. You should work with your client’s divorce attorneys and tax professionals to ensure that your client comprehends and considers the short- and long-term financial and tax implications of the decisions they make and how they impact their personal goals.

# We're here to help your clients *To and Through Retirement*<sup>®</sup>.

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Call us for more information at 800.747.5164, option 3,  
or visit [SecurityBenefit.com](https://www.SecurityBenefit.com).

## FINANCIAL PROFESSIONAL USE ONLY – NOT FOR USE WITH CONSUMERS

Annuities are issued by Security Benefit Life Insurance Company in all states except New York.

Guarantees provided by annuities are subject to the financial strength of the issuing insurance company. Annuities are not FDIC or NCUA/NCUSIF insured; are not obligations or deposits of and are not guaranteed or underwritten by any bank, savings and loan, or credit union or its affiliates; and are unrelated to and not a condition of the provision or term of any banking service or activity.

Fixed index annuities are not stock market investments and do not directly participate in any equity, bond, other security, or commodities investments. Unless otherwise stated, indices do not include dividends paid on the underlying stocks and therefore do not reflect the total return of the underlying stocks. Neither an index nor any fixed index annuity is comparable to a direct investment in the equity, bond, other security, or commodities markets.