Face the future with confidence

Add a Merrill Lynch financial advisor to your divorce team

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There's little question that divorce is a major life event, perhaps one of the biggest you'll ever face. It's likely to spell "change" for your lifestyle, your hopes and dreams, your children's lives, and much more. Yet this also can be a time to look ahead to the next chapter of life — an exciting new start.

Right now, there's a lot to think about. Will you have enough to live on during and after the divorce? Should you keep the home you love or sell it and move on? Do you need to establish credit or resolve problems from the past? Is it time to start a new career or return to one you set aside?

Whether you're contemplating divorce or you're in the midst of the process, many decisions lie ahead. Managing the stress of this transition and achieving the outcome you want will require planning, preparation and the support of a dedicated team. Your divorce attorney and CPA are a vital part of that team. So is your Merrill Lynch financial advisor. He or she can be essential to you throughout your divorce and help you take steps necessary to secure your financial future.

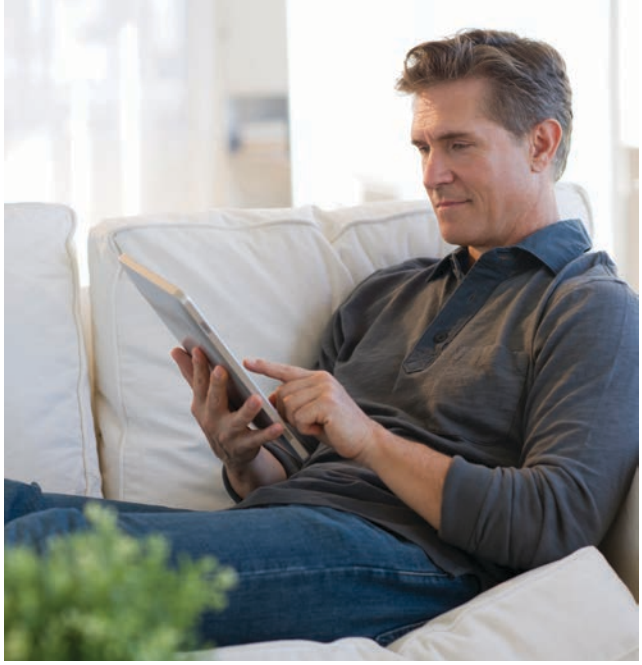
Moving ahead requires putting the right people in place

Create a well-rounded team

Involving your financial advisor as early as possible can add value every step of the way. For example, if an approaching divorce stirs anxiety about your changing financial situation, he or she might assist by discussing how you can create a realistic budget or by helping you generate the cash flow necessary to meet your immediate needs. Your financial advisor can help expedite the critical task of gathering your Merrill Lynch financial records. And since those financial records can provide the basis for negotiations, your financial advisor can assist you in identifying sources of income that could impact your success at achieving the settlement you desire.

Examine a range of possibilities

Once divorce proceedings are underway, you and your financial advisor can work together to evaluate how proposed settlements may affect your future. If, for example, you're concerned about continuing to fund your children's college tuition, or your own education or career training, your financial advisor can outline various scenarios to help you pursue those objectives.



Make a new start

After the divorce, your financial advisor can offer you tips for managing finances on your own, including how to revise your budget or choose the mortgage that's best for you. He or she can review your portfolio, evaluating the need to rebalance assets or reallocate a concentrated position in a stock.

You might want to keep saving for college and retirement or continue protecting the children's inheritance by establishing trusts. In that case, your financial advisor can provide reports to help keep those long-term plans on track. You can also discuss how much income you'll need and what steps could help you achieve financial security on your own.

Your Merrill Lynch financial advisor can help you:

- Make informed decisions that affect your finances and investments at every stage
- Design an integrated investment strategy to address your financial needs so your money can work harder for you
- Imagine the next chapter of your life — and put your plans into action

Explore the options with your financial advisor

Scenario 1: A new sense of purpose

Helen and Bill have been married for 35 years but realize they're no longer compatible. Bill has a successful medical practice, which he expects to sell in a few years. Helen divides her time between her family and philanthropic endeavors.

Building the team

At the advice of her attorney, Helen decides to add a Merrill Lynch financial advisor to her divorce team for guidance concerning some of the financial decisions that lie ahead. Her financial advisor begins by addressing Helen's immediate need for income, suggesting that she discuss temporary support with her attorney and that Helen create an "emergency fund" by selling appreciated stock. With her financial advisor's help, Helen establishes credit in her name and creates a realistic household budget.

Negotiating for the future

Given the length of the marriage, the attorney pursues a nearly equal distribution of assets, but suggests that Helen give up the house in exchange for a larger portion of Bill's retirement plan funds. Her team suggests that Helen should pursue receiving a portion of the proceeds from the sale of Bill's practice via a structured payout over a period of years.

Receiving a satisfying settlement

Helen is very pleased with the settlement. She tells a friend that her financial advisor became a key member of her team and, throughout the process, answered every question while helping her stay focused on her goals.

Scenario 2: A family adjustment

Joan and Jim have been married 15 years and have two daughters, ages 7 and 12. Joan is a highly successful telecommunications executive and Jim is a productive sales manager. Jim has filed for divorce after a long period of dissatisfaction but worries about the impact it will have on his long-term financial goals.

Staying focused

Jim recruits his Merrill Lynch financial advisor — who helps him gather important financial records — to become a key member of his divorce team. Jim's financial advisor helps him stay focused on priorities, which include having sufficient funds for the girls' college education and his retirement. Although Jim is a high earner, he's concerned about college costs and worries that switching jobs early in his career may have kept him from accumulating adequate retirement plan assets.

Freeing up finances

The divorce team suggests that Jim seek a written commitment from Joan to continue funding the girls' education until they graduate from college. They encourage Jim to free funds for savings by moving to a home that needs less upkeep, and they explain that selling the house before the divorce will reduce capital gains taxes for Joan and Jim.

Making retirement a top priority

A review shows that since Jim participated in employer-sponsored retirement plans at every job since college, he has actually accumulated roughly the same amount as Joan. His financial advisor points out that contributing the maximum annual amount to his current employer's retirement plan will allow Jim to keep his retirement goal on track while avoiding the complicated process of dividing Joan's plan assets.

Ultimately, Jim tells his financial advisor that with the team's help, he feels prepared and comfortable about meeting long-term goals for himself and the girls.

Scenario 3: A planned transition

Melissa married John when she was halfway through college, and she supported his climb up "the corporate ladder." She's stunned when John files for divorce but is determined to support herself.

Gathering information

Melissa surrounds herself with a divorce team — an attorney, an accountant and a Merrill Lynch financial advisor — to help set realistic goals for the divorce. With her financial advisor's guidance, Melissa gathers the financial information needed for negotiations.

Completing an education

With the assistance of the divorce team, Melissa obtains a settlement that includes future interests in John's stock options, 401(k) plan, and the couple's home and portfolio. Since Melissa needs to complete her education, the settlement includes a commitment to meet that expense. To give Melissa time to "get on her feet," the attorney negotiates for contractual alimony, which will be reduced gradually over six years.

Concentrating on what's next

Melissa and her financial advisor develop a strategy for replacing income that will be lost as alimony is reduced. Melissa spends two years completing a degree in psychology and working part time at a boutique. In the third year, she works full time at the store and volunteers at the local chapter of a national children's disability organization. Melissa's affinity for children opens the door to a part-time position there. Before her alimony terminates, she's been hired full time as an administrator and tells friends that it's satisfying to have a fulfilling career and income of her own.

What should you do?

This can be a stressful and confusing time. But it's also the best possible moment to prepare for what comes next. Gathering financial records and planning for the future are tasks that can help you protect your lifestyle and make informed decisions every step of the way.

The following "to do" checklist is based on the insights of experienced divorce attorneys, CPAs and financial professionals. Tackling these steps with the assistance of your divorce team can help you feel less overwhelmed and more in control. That, in turn, can make a difference in your ability to achieve the settlement you need and the future you desire.

Preparing to divorce

- ☐ Gather and organize important documents (going back three to five years), such as bank and brokerage statements, property titles, insurance policies, 401(k) plans and IRAs, tax returns, mortgages, and medical records.
- ☐ Calculate your current (married) net worth; that is, your assets less your liabilities.
- ☐ Obtain your credit report and address any problems promptly. Cancel joint accounts and, if necessary, establish credit in your own name.
- ☐ Write a description of your time and financial contributions to the marriage.
- ☐ Estimate what you'll need to meet living expenses, establish a budget and set aside sufficient funds.
- ☐ Schedule a checkup with your physician to rule out the need to have large medical expenses included in the settlement.
- ☐ Consider what you want from your post-divorce life. Set realistic short- and long-term goals and determine the cost and time involved in achieving them.
- ☐ Inform all parties with a financial interest, such as banks, financial professionals and creditors, of the probability of divorce.

During the proceedings

- ☐ Learn whether you live in an "equitable distribution" or "community property" state and what that means for the division of your home, retirement plans and other marital assets.
- ☐ Obtain a temporary order for spousal and child support, if necessary.
- ☐ Review any proposed settlement with your financial advisor so he or she can evaluate its short- and long-term impact on your financial well-being.
- ☐ Explore the tax impact of critical choices, such as selling your home before or after the divorce.
- ☐ Have a business valuation completed if either you or your spouse own a privately held company.
- ☐ Obtain an insurance analysis to determine your need for disability income and life insurance and your spouse's need for life insurance if he or she will be making support payments.
- ☐ Consider employment, as necessary, whether that means a part-time job, a promotion or training for a new career.
- ☐ Stay in close contact with the members of your divorce team.

After the divorce

- ☐ Create a post-divorce "lifestyle spending plan" and follow it closely.
- ☐ Ask your financial advisor to review your portfolio assets, adjusting your risk exposure or reallocating concentrated positions as necessary.
- ☐ Move forward with plans to achieve long-term goals, such as saving for college and retirement.
- ☐ Meet with an estate-planning attorney to revise your will, change medical directives and powers of attorney, update beneficiary designations, and consider the role of trusts.
- ☐ Transfer titles and property interests.
- ☐ Make sure you have health insurance in place.
- ☐ Notify all interested parties of any name change.
- ☐ Pursue new opportunities, whether employment, volunteer work or a creative endeavor.
- ☐ Think about prenuptial agreements if remarriage is in the picture, and commit to staying in control of your finances after you remarry.

Learn more

Talk with your Merrill Lynch financial advisor, call **800.MERRILL** (800.637.7455) or visit us online at **ml.com** to see how we can be part of your dedicated divorce team.

The scenarios presented are hypothetical and do not reflect specific strategies we may have developed for actual clients. They are for illustrative purposes only and are intended to demonstrate the capabilities of Merrill Lynch and/or Bank of America. They are not intended to serve as investment advice since the availability and effectiveness of any strategy is dependent upon your individual facts and circumstances. Results will vary, and no suggestion is made about how any specific solution or strategy performed in reality.

The checklist on pages 5 and 6 is compiled from many writings on divorce planning. It provides some of the action steps you should consider and is intended to offer an overview of materials and activities that may be of assistance during or after divorce proceedings. It may not be complete or appropriate for your circumstances. It does not indicate future performance or success. Please consult your own personal attorney and accountant in connection with any divorce actions.

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Merrill Lynch
Bank of America Corporation

Will Burns
Financial Advisor
201 Franklin Rd, Suite 250
Brentwood, TN 37207
T 615-750-1016
wburns2@ml.com