

OUTDATED INSURANCE

INDIVIDUAL PLANNING

When couples divorce, many clients don't realize how much their life insurance needs to change. Joint policies, outdated beneficiary designations, and expiring coverage can create unintended risks for survivors and heirs. This case study highlights how a proactive review can help newly single clients realign their protection, meet legal obligations, and secure their long-term financial goals.

CLIENT PROFILE & SITUATION

Mark (62) and Dana (60) are finalizing their divorce after 32 years of marriage. Years ago, when they were raising their children, they purchased:

- Two individual term life policies (each naming the spouse as primary beneficiary)
- A survivorship (second-to-die) universal life policy to help cover estate taxes
- A joint brokerage account and several retirement accounts, all with outdated beneficiary designations

They assumed all insurance and beneficiary decisions would “sort themselves out” during the divorce process. They were wrong.

THE PROBLEM

During the advisor review, several critical issues surfaced:

1. **Outdated Beneficiaries** – All policies still named the soon-to-be-ex-spouse.
2. **Loss of Financial Protection** – Dana still needed income protection if Mark passed prematurely; Mark wanted to ensure his adult children received his death benefit.
3. **Policy Ownership Confusion** – Neither client understood how joint or survivorship policies would be handled post-divorce.
4. **Coverage Gap at Retirement Age** – Mark's term insurance expires in 3 years, and premiums for new coverage at age 62 could be much higher.

FINANCIAL PROFESSIONAL ACTIONS & SOLUTIONS

1. **Full Policy Audit**
2. **Update Beneficiary Designations**
3. **Modify Survivorship Policy**
4. **Secure Court-Ordered Coverage**
5. **Replace Soon-To-Expire Term Policy**

OUTCOME

- Beneficiary designations now reflect individual goals
- Divorce obligations are properly insured
- Estate and inheritance plans are aligned
- Coverage gaps caused by age, health, and expiring term policies were addressed proactively

The financial professional ensured both clients entered post-divorce life with clarity, protection, and financial security.

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