

Think Your Marital Knot May Come Untied?

10 Things You Need to Know About Divorce Insurance

Couples cite money as one of the main reasons they decide to end a marriage. So it's no surprise that money can be a stumbling block to actually splitting up. Now, a North Carolina company says it has come up with a novel way to take some of the financial strain out of a divorce — but only after the break-up is final.

Safeguard Guaranty Corp. bills itself as the world's first and only provider of divorce insurance. Under a WedLock Divorce Insurance policy, divorcees can receive a lump sum to cover expenses such as attorney's fees, court costs, arbitration fees and apartment rent. Someone going through a divorce can rack up expenses of roughly \$15,000 to \$40,000. Not sure whether to walk down the aisle with WedLock? These 10 pointers can help you decide whether this sort of insurance is a match for you.

1. It's casualty insurance.

WedLock Divorce Insurance is a type of casualty insurance that gives policyholders a payout once the divorce is finalized. It's designed to help keep divorced couples out of financial ruin once the necessary fees are paid.

WedLock's creator, John Logan, experienced his own financial woes during a divorce that he says sucked him dry in 2001. "After my experience, I wondered why there wasn't something out there to help people going through it," Logan says.

Taking into consideration that people purchase auto, home and life insurance, it would make sense to buy divorce insurance, Logan says. But others are skeptical about the financial wisdom of buying divorce policies.

2. It's not a prenuptial agreement.

A prenuptial agreement is a contract that details how assets will be distributed in the event of a divorce. Meanwhile, insurance eases financial hardships as a result of divorce. However, a policy is not intended to replace a prenuptial agreement. In fact, Logan hopes that divorce insurance eventually will be incorporated into prenups. WedLock Divorce Insurance is designed to help keep newly divorced couples out of financial ruin.

3. The facts say a lot.

On average, about 44 percent of American marriages end in divorce. Most of those divorces take place within the first eight years of marriage. "The fact is divorce is real and it's happening. I never expected it to happen to me, but it did," Logan says.

In addition, many people who file for divorce fall below the poverty line. Studies show the average person going through a divorce loses more 70 percent of his or her net worth. "With so many odds against you, it only makes sense to protect yourself and have a peace of mind," Logan says.

4. It costs to have peace of mind.

At \$15.99 a month, you can buy one unit of WedLock insurance equaling \$1,250 in coverage. If you buy 10 units of insurance, you'll receive \$12,500 in coverage.

After holding a policy for four years, each unit increases in value by \$250. Therefore, if a person bought 10 units of coverage and got divorced after 10 years of marriage, that policyholder would have paid \$19,188 for the insurance and would receive a \$27,500 payout.

Although Logan won't say how many WedLock policies have been purchased, he does say that some husbands and wives are spending as much as \$1,000 a month on coverage.

Certified divorce financial planner Lili Vasileff of Greenwich, Conn., doesn't view WedLock insurance as a smart investment.

"It's an interesting idea, but it's an untested product," Vasileff says. "What happens if the company is unable to meet contractual obligations? Investing that money elsewhere such as a trust is much more (worthwhile)."

5. Anybody can buy it.

Typically, divorce insurance is purchased by a couple to protect each other. Although half of the couple can buy it solely for himself or herself, Logan doesn't advise it. Policies also can be purchased by relatives of a married person.

Relationship counselor Mimi Daniel of Baltimore doesn't find that beneficial. "You definitely don't want to go into a marriage keeping secrets from your spouse," Daniel says. "Nor would it be a good idea for parents to intrude and ruin the relationship they have with their child by purchasing a policy."

6. It doesn't discriminate.

There's no reason to fret about the price of a policy if you're on your second or third marriage. Regardless of which marriage it is, each unit of coverage still costs \$15.99 a month. Logan believes that's what makes the insurance attractive. "We wanted to make sure that this was affordable for everyone," Logan says.

7. Decide whether it's right for you.

"The best way to decide is to talk about it," says Daniel, the relationship counselor. A certified divorce financial planner questions the wisdom of buying a WedLock insurance policy.

Couples should make lists of traits they believe make a marriage last, as well as those that contribute to ending a marriage, Daniel says. From there, the couple should decide on solutions they'd pursue if a problem should arise. However, she doesn't suggest buying divorce insurance — regardless of the situation.

"It suggests that divorce is an option without even trying," Daniel says. WedLock's Logan acknowledges that he doesn't expect newlyweds in their first marriage to invest in a policy. "This is really more for people who are in their second marriage and recognize that divorce is possible," he says.

The WedLock website also suggests considering your financial status and the cost of living when deciding whether to buy a policy. Divorce-related fees can add up to \$15,000 or more, depending on where you live. To help determine those costs, the WedLock website features a divorce cost calculator. The site also includes a calculator designed to determine probability of divorce (with a 13-point margin of error).

8. There's a four-year waiting period.

Couples are out of luck if they want to receive a WedLock insurance payout just two years

after tying the knot. Someone must be a policyholder for at least four years to get a payout. In the event a couple is in the process of divorcing at the time of purchase, WedLock wouldn't owe the policyholder.

9. Four years too long? Buy a premium rider.

If you're worried about the marriage ending before the end of the four-year waiting period, a premium rider can be bought for \$30 a month per unit of insurance. With the purchase of a premium rider, a policyholder can obtain a 50 percent payout in the event of a legal separation. The remaining 50 percent can be claimed if the couple ends up divorcing.

10. You can't file too soon.

WedLock insurance can't help if you're looking for a quick payout during divorce proceedings. The company requires policyholders to file a claim after the divorce is finalized. Barbara King, who practices family and marital law in Albany, N.Y., points out that the WedLock setup is flawed because of this requirement.

"During the divorce is when people need the money," King says. "If I get into a car accident, the car insurance company doesn't pay me after the car is fixed and (a court case) is over. They give it to me during the process. What good is divorce insurance if I don't get my money until everything is over?"