



**ROBIN S. WEINGAST  
AND ASSOCIATES, INC.**



GARDEN CITY CENTER  
100 QUENTIN ROOSEVELT BLVD.  
SUITE 507  
GARDEN CITY, NY 11530  
P: 516.794.1450  
F: 516.794.8146  
EMAIL: [RSW@RSWTPA.COM](mailto:RSW@RSWTPA.COM)  
WEBSITE: [WWW.RSWTPA.COM](http://WWW.RSWTPA.COM)

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## Getting New Hires Off to a Good Start

Take a moment to imagine what it would be like to walk through the doors of your company for the first time. How would you like to be treated? What training and tools would you need to get started in your new job?

### *First Impressions*

How your business welcomes new employees can have a big impact on their future relationship with the company and on their long-term performance. An employee who feels overwhelmed or unwelcome during the first few days of a new job may never become an enthusiastic contributor to your organization. While providing proper guidance and training for new employees requires some time and effort on the part of experienced staff, investment in an orientation program will likely result in lower turnover and higher productivity rates for your company.

Companies that hire people in groups tend to take an impersonal approach to employee orientation. Employees are herded together in a room where they listen to presentations or watch videos about the company's policies and procedures. Often the new hires are handed a dense employee handbook and asked to fill out various legal and benefit forms. Then the new employees are given a quick tour of the facility and rapidly introduced to large numbers of co-workers.

While this may appear to be an efficient way to bring new employees into the organization, it is hardly a friendly way to welcome people. Most new employees come to a new workplace eager to do the job for which they are hired. Being asked to listen to a laundry list of company policies and retain dozens of names and faces can exhaust newcomers, and it may even put them on the defensive.

### *Information, Orientation, and Training*

Smaller companies frequently pride themselves on avoiding the cookie-cutter approach to employee orientation, but other problems can arise when companies do not have a Human Resources professional to handle the orientation process. Failing to provide essential information is, potentially, even worse than inundating the new hire with details of policies and procedures. It is also highly embarrassing and uncomfortable for both the employee and

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## Divorce and Retirement Plan Proceeds

Because divorce usually involves the division of assets, including some that may have tax implications, it is important to be aware of potential “tax traps,” such as **vested account balances**, when you begin your retirement planning strategies.

In the past, with traditional **defined benefit plans**, such as company pension plans, participants generally received a retirement benefit, but they had no vested balance in an individual retirement account. In other words, employees had no rights to the employer’s contributions to the retirement plan. However, with the popular shift toward workplace **defined contribution plans**, such as the 401(k), contributions made by employees to their retirement plan are always vested, and employer contributions vest over time, according to the schedule set forth in the plan document. Consequently, dividing vested retirement plan assets

in divorce proceedings has become a complex financial issue.

### *Protect Yourself with a QDRO*

A **qualified domestic relations order (QDRO)** is a judgment or order that involves child support, alimony, and property rights pertaining to a spouse, former spouse, child, or other dependent. A QDRO can be used to establish one spouse’s right to part or all of the other spouse’s retirement plan(s) and ensure that the recipient spouse pays the tax.

To be protected through a QDRO, it must specify the following:

- The name and address of the plan participant and the “alternate payee” (typically, the participant’s spouse).
- The name and account number of each retirement account involved.
- The percentage (or dollar amount) of each plan that is to be paid to the alternate payee.
- The period of time or the number of payments covered by the QDRO.

The QDRO must be a part of a divorce decree or a court-approved property settlement document. The decree must also specify that a QDRO is being established under Section 414(p) of the Internal Revenue Code (IRC) and the particular state’s domestic relations laws. Intent to establish a QDRO is insufficient; it must be documented in the divorce papers.

Getting divorced can be “taxing” enough, so be sure that you understand the process of dividing retirement plan assets. Through a QDRO, an individual can provide retirement funds for a former spouse, child, or other dependent, and ensure that those assets are taxed appropriately. Consult your qualified tax and legal advisors for guidance on your unique situation. ■

## Who'll Be In Control When You Can't Be?

One thing is for certain: Life is unpredictable. But, it is still important to prepare for the future and whatever it may hold. Have you ever considered what would happen if you were to experience an accident or illness that left you incapacitated and no longer able to make important financial decisions? While this unpleasant prospect may be difficult to think about, you can prepare to establish a measure of control in your life should you become incapacitated. One strategy is to establish a **durable power of attorney**—a legal

document that appoints someone you trust to handle your financial decisions.

An attorney is a licensed professional who has been granted legal authority to conduct business on your behalf. However, you have the right to provide anyone with this power. If the **power of attorney (POA)** is **limited**, the individual you choose can conduct only that business specified in your agreement. If the POA is **general**, the person’s authority is more extensive but still assumes you are competent to review and approve decisions. If the agreement contains

what is known as “durable” language (according to the passage of certain state laws), it allows the designated individual, also known as the **attorney in fact**, to make decisions on your behalf in the event of physical or mental incapacity.

### *The Time to Prepare Is Now*

Generally speaking, a durable power of attorney allows you to specify, in advance, the person you

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## getting new hires off to a good start

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the employer when a new hire arrives for the first day of work only to discover no desk, computer, or other tools have been assigned for his or her use.

There are certain types of information employees must be given before they can begin their jobs, such as safety rules or time card policies. If possible, this vital information should be delivered by the employee's immediate supervisor. By sitting down with the employee on the first day to discuss the duties of the position, as well as any essential procedural information, the supervisor begins to build a relationship with the new hire. If the supervisor does not have the time to conduct the orientation personally, an experienced employee may be assigned to guide the new hire, possibly serving as a mentor for the first few days or

weeks. In addition to having an HR manual to reference, new employees should know whom to ask when questions arise.

To make a new employee feel welcome, co-workers may want to make a point of inviting him or her to join them at lunch or break time. Establishing friendly and professional relationships with co-workers can help an employee feel more comfortable in a new environment, and this may ultimately inspire greater loyalty to the company.

Inadequate or improper training sets up a new employee for failure. Newly hired workers may have the skills necessary to do the job, but they will generally require some guidance and instruction to understand the processes and procedures particular to your company. It is

worth remembering that new employees are usually anxious and uncertain about how they are expected to behave and perform. Providing clear and thorough training will ease that nervousness, enabling the employee to carry out his or her duties more competently and confidently. If a new hire makes a mistake, it may be because training was not sufficient. Before reprimanding a new employee, consider whether the mistake was primarily the fault of the individual or of the organization.

Productivity and morale among all staff members can be negatively affected when new employees are not given the information, the tools, and the support they need to do their jobs well. An effective orientation program may minimize the chances that a promising new hire could turn out to be "a bad fit" who must be replaced. ■

## who'll be in control when you can't be?

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want to make decisions regarding your personal finances and business matters, if you ever become incapable of making those decisions for yourself. By contrast, a **health care proxy** allows you to designate an individual to make decisions regarding your medical care and well-being, and a **living will** allows you to specify your preferences regarding the giving or withholding of life-sustaining medical treatments. These documents are known as **advance directives**, and they are essential estate planning tools for all individuals, regardless of age.

Without such documents, court intervention—involving a great deal of time, expense, and stress—may be necessary.

In addition to your own advance directives, consider the important role these documents can play in your *parents'* estate planning. For many of us, discussing such matters with a parent may be uncomfortable. Nevertheless, an open conversation about expectations may strengthen familial bonds and help ensure that your loved ones' preferences for the future will be met.

It is important to note that a will, which only becomes operative *at death*, is not the appropriate vehicle for specifying a durable power of attorney, health care proxy, or living will. Rather, these documents should be created separately by a qualified legal professional who is familiar with the language appropriate for your particular state. Taking the steps to designate your durable power of attorney can help ensure that your financial decisions will be handled by someone you trust, in the event that you are unable to do so. ■

## Life Insurance and Divorce: Protecting Your Family's Future

Sometimes in life, things don't work out as planned. One of the most trying examples is when a couple decides they can't make their marriage work and, subsequently, files for divorce. Divorce can take a significant financial and emotional toll on a couple, their children, and other family members. In the midst of immediate financial and legal concerns, couples also need to consider ways to help protect their individual financial futures and that of their children's in the event of death. Life insurance may offer a solution.

Let's take a look at several different scenarios. After divorce, if the non-custodial parent who is paying alimony and/or child support were to die, then the custodial parent may be unable to maintain the children's lifestyle or save for a future college education. On the other hand, if the custodial parent were to die, the non-custodial parent may be unable to afford childcare expenses. Consequently, divorcing couples may want to consider making life insurance policies part of the divorce decree.

The custodial parent may want to purchase a life insurance policy on the non-custodial parent, but if not, transferring ownership and



beneficiary arrangements on an existing policy may be another option. The custodial parent may request alimony or child support increases to cover the cost of policy premiums. If the non-custodial parent remains the policy owner, the divorce decree can include arrangements to ensure that the custodial parent is named as the irrevocable beneficiary, and that he or she receives ongoing proof that the payments are made and the policy remains in force.

The non-custodial parent may wish to keep the policies he or she already has to protect other financial interests. To ensure protection for children from a previous marriage, the non-custodial parent may consider purchasing a new policy on his or her life, naming the former spouse as the owner and beneficiary. If this is done before or during the

divorce proceedings, gift tax will not be owed. If the custodial parent is the policy owner, premiums may be tax deductible as alimony.

For existing policies, it is important to remember that the insurance company must be notified of any beneficiary changes. A will cannot be used for this purpose. In addition, should the insured remarry and the policy names the "husband" or "wife" of the insured as the beneficiary, the new spouse may receive the proceeds. If the insured does not remarry and the same policy language is in force, then the proceeds may be paid to the secondary beneficiary. If the insured's estate is named as the new beneficiary, insurance proceeds may be delayed by the probate process. If minor children are named as beneficiaries, additional problems may arise, as insurance companies generally do not pay minors directly. For this reason, you may want to consider creating a trust for minor children and naming the trust as the beneficiary of the policy proceeds.

Divorce is rarely easy, but with a well-planned strategy, the short- and long-term financial needs of your loved ones can be met. Since laws vary from state to state, be sure to consult with your team of qualified tax and legal professionals about your unique circumstances. ■

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