

Divorce...Now What?

Navigating the Financial Impacts of Divorce

We often get the question: When did you know you would move forward with the divorce? Speaking from experience, once you decide that divorce is the only answer, you just know. For me it was when the bad started to outweigh the good. We tried several trial separations and reconciliations to try to work it out, but eventually I just knew it was the right next step.

No matter what your personal tipping point, once you've made the decision, come to grips with the fact that it will be stressful not just on you and your soon to be ex, but on your finances, too. The difficult time will pass, but here are a few action steps you can take to hopefully ease the anxiety once the decision has been made.

Action Steps:

1. **Don't Try to Do It on Your Own.** My first and foremost suggestion is to handle the process with professional help. You need to be able to separate your emotions from what is right financially for you and your family. It's difficult to think rationally when your emotions are controlling you day in and day out. Seeking help doesn't make you the "bad guy" it just means you need to look at the financial aspect of the divorce as a business decision that will affect you and your family for the rest of your life.

Contact a divorce attorney as soon as possible. How do you find the right attorney? Ask for referrals from friends, your CPA, your estate attorney, your wealth advisor, etc. You will be amazed at the number of resources networking can provide. Attached is a checklist of things to ask when interviewing divorce attorneys. I would encourage you to interview multiple attorneys as you are likely to make a connection with one or two, which will make your decision process a little bit easier. To make the final decision, use the checklist and Google them to find out as much information as possible. Take your time and select the person with whom you felt most comfortable discussing your issues. Keep in mind that the most expensive may not always be the best!



Consider working with a CDFA (Certified Divorce Financial Analyst) to help you and your attorney determine how to best uncover and divide your assets.

2. **Credit Counts!** Any credit commitments that either you or your spouse partake in become the responsibility of both of you even during divorce, so you want to make sure you continue to make payments to outstanding creditors.
3. **Address Jointly Owned Accounts.** You should ask your attorney if you should call your bank and ask them to freeze any joint accounts because accounts that are jointly owned allow either of you to have complete control over the funds. This is probably one of the hardest action items that needs to be done immediately. You both will need money, so if you freeze the account how will you access it? You can ask the bank for withdrawals to be signed off by both you and your spouse. This way the two of you can determine an amount that you each need to get you through until the divorce is underway.

If you think your spouse would never deplete the bank account, think again. It is better to play it safe. If they do take more than their share, once the assets are divided the appropriate adjustment will usually be requested at that time. Your attorney will likely advise you to open your own individual account to hold your portion of the formerly jointly owned funds and to receive deposits of any future earnings if you are employed.

4. **Create a budget.** If you don't have a complete understanding of your expenses, now is the time to change things. Attached is a sample budget sheet that can assist you in identifying all or most of your expenses. Go online, find a budget planner, and get a complete understanding of what it takes to maintain your household. This will become helpful down the road when determining how much you may need from child support or spousal support, if any. Control your spending. Don't start spending more than you otherwise would spend in spite. It will only come back to bite you!
5. **Create a financial plan for your future.** It is important to identify steps you need to take to still be able to accomplish your retirement goals. Now, you just need to make sure you are ready for the future of going it alone (potentially) rather than with the support of a spouse. Meet with a financial planner to develop a road map. It is very important to have a written plan that can guide you year over year, keeping you on track to minimize any road bumps along the way. This will give you the peace of mind and sense of stability you will need to help you get through this difficult time.
6. **Don't Overlook These Important Financial Considerations.**
 - Asking for the home when you can't afford to maintain it
 - Having an understanding of taxable vs. non-taxable division of assets
 - Understanding the purpose of a QDRO- Qualified Domestic Relations Order
 - Protecting spousal and child support payments through life insurance
 - Making isolated financial decisions vs. looking at the big picture and analyzing how each financial decision impacts the other
 - Thinking that a 50/50 division of property is an equitable division of property
 - Failing to consider the income tax cost basis of property
 - Not understanding how to divide debt

Understanding the financial impact of divorce can become very overwhelming.

In summary, don't rush. The average divorce takes approximately one year. Many people often get impatient and just want it to be over, so they start to make mistakes and compromises that they ordinarily would not make. Keep in mind that less than 10% of divorces actually go to trial.

Be ready to provide paperwork, paperwork, and more paperwork. You may be required to complete a financial affidavit which is a detailed description of all of your assets and liabilities. This affidavit asks questions ranging from how many paychecks you receive to what you spend on dry cleaning. It is a tedious process, but very necessary.

Look at the positives, when it's all said and done you will have a much better picture of what your future holds - a happier, healthier you physically, emotionally, and financially. I know it's hard to believe but there is a day when you look outside and the sky just seems to be a little bluer! Until then, stay focused, get some exercise and be confident in your decisions.

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